Appendix III

AN EMPIRICAL STUDY OF THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION WITH REFERENCE TO RETAIL BANKING SECTOR IN GREATER MUMBAI

A SYNOPSIS OF Ph. D. THESIS SUBMITTED TO THE FACULTY OF ARTS UNIVERSITY OF MUMBAI

BY

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1. INTRODUCTION

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else. "— Sam Walton

A customer is the most valuable asset in any business and is a key ingredient to ensure business success. At the heart of marketing is a customer, and customer satisfaction is primary goal of any business. Customer satisfaction can result from many factors and require experience with the service and service provider. The basic precept of marketing is that customer satisfaction with a product or service will possibly lead to repeat purchases, acceptance of new services and favorable word-of-mouth. Customer satisfaction is widely recognized as a key indicator of customers' future purchase intentions. Customer satisfaction especially is critical in highly competitive and rapidly growing services like retail banking.

1.1 Retail Banking In India:-

Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. The term Retail Banking encompasses various financial products viz., different types of deposit accounts, housing, consumer, auto and other types of loan accounts, demat facilities, insurance, mutual funds, credit and debit cards, ATMs and other technology based services, stock-broking, payment of utility bills, reservation of railway tickets, etc.,.

Today's retail banking sector is characterized by three basic characteristics:

1. Multiple products (deposits, credit cards, insurance, investments and securities);
2. Multiple channels of distribution (call centre, branch, Internet and kiosk); and
3. Multiple customer groups (consumer, small business, and corporate).

The objective of retail banking is to provide customers a full range of financial products and banking services, give the customers a one-stop window for all their banking requirements. Though retail banking is showing growth, the path of growth is inundated with many challenges.

1.2 Challenges Faced By Retail Banking in India

Some of the challenges faced by retail banking are:-

- Preparing for new global players entering local markets.
- Keeping customers loyal in a multi-banking environment
- Becoming and remaining the customer's bank of choice in times of decreasing customer loyalty.
- Investing in technological innovation to achieve or maintain leadership in a fast changing market place.
- Ensuring profitability
- Adapting the operating model to ensure efficiency and profitability.

1.3 Need and Significance of the Study

Careful scrutiny of these challenges reveals that the major challenge facing bank today is retention of customers. Retaining customers is more economical than attracting customers in the long term.
However, the retention strategies require a solid base of service quality and customer satisfaction for long term success (Zeithml et al. (2013)).

A highly satisfied customer generally stays longer, buys more as the company introduces new products and services and upgrades existing products and services, talks favorably to others about the company, pays less attention to competing brands, offers product or service ideas to the company, and costs less to serve than new customers because transactions can become routine. Greater customer satisfaction has been linked to higher returns and faster company growth. Thus, Customer satisfaction is one of the most significant factors for the profitability of retail banking in India and is the key to long term success of any organization. Therefore, the application of the knowledge of customer satisfaction is imperative to establish and maintain a long-term relationship with customers and long-term competitiveness.

However, Customers’ wants, needs, and expectations change quickly. Thus, what would have delighted and surprised them a short while back might not satisfy them at present. Banks may not be able to provide superior services to the customers unless customer expectations are known. Customer expectations can be known through the knowledge of satisfaction levels of customers. This necessitates the measurement of customer satisfaction level.

One of the key drivers of customer satisfaction is the quality of service customers receive. How customers evaluate quality of service play an important role in satisfaction. Understanding what constitute service quality and how different aspects are evaluated while forming perception about service is imperative to devise strategies for customer satisfaction.

In view of the above, the study is aimed at identification of dimensions of service quality and understanding how different
dimensions of service quality contribute to customer satisfaction. Furthermore, impact of customer satisfaction on behavioral intentions is evaluated to appreciate and emphasize the role of customer satisfaction in sustenance and growth of business.

This study will help banks improve their marketing strategies by understanding issues such as:-

➤ What are the needs of customers of retail banking?

➤ How customers evaluate banking services?

➤ How the different components of service quality contribute to customer satisfaction?

➤ How does satisfaction vary across different customers?

➤ What are the direct and indirect benefits of customer satisfaction?

➤ How can banks adapt and improve their marketing campaign around customer?

➤ What marketing strategies can banks employ to more effectively satisfy the customers?
1.4 Research Objectives

Specific objectives of the study are:

1. To identify the dimensions of service quality

2. To study the relationship between service quality, customer satisfaction and behavioral intentions

3. To assess the impact of service quality dimensions on customer satisfaction

4. To study the effects of demographic characteristics on service quality, customer satisfaction, and behavioral intentions.

1.5 Scope of the Study

➢ The scope of the present study is confined to the geographical limit of Greater Mumbai Metropolitan region.

➢ The researcher studied retail banking customers. Institutional customers are out of purview of the present study.

➢ The retail bank customers included are from public, private, cooperatives and foreign banks. However, the number of customers from all these banks is not equal as public and private banks dominate the retail banking landscape. Moreover, comparison of the different banks on any aspect is not within sphere of the study.

1.6 Area of the Study

The research studied service quality of the banks in the greater Mumbai metropolitan region. The study identified the dimensions of service quality which customers take into account while evaluating the retail banking service. In addition, the study ascertained the importance of these
dimensions from the viewpoint of the customers by analyzing the impact of these dimensions on customer satisfaction. The study, in addition, examined how service quality affects customer satisfaction as well as behavioral intentions. As satisfied customers are expected to show positive intents towards banks through patronage, word of mouth and repeat purchase, the study highlighted the relationship between customer satisfaction and behavioral intentions to drive the importance of customer satisfaction in retail banking. Furthermore, the effect of demographic characteristics of a customer such as age, income, gender, education, and occupation on service quality, customer satisfaction, and behavioral intentions were assessed.

1.7 Limitations of the Study

- The findings of the study are based on self-reported data of retail bank customers. The responses are taken at face value and cannot be independently verified.

- The study is limited to retail banking customers in the area of Greater Mumbai and need to be generalized with caution to other geographical area.

- The study intended to measure overall satisfaction of the customers with their bank. However, their recent transactional satisfaction may have affected their ratings.

- The data could be collected from customers who willingly participated in the process and findings are based on the data from these customers.
2. REVIEW OF RELATED LITERATURE

2.1 Service Quality

Quality is an elusive and indistinct construct (Parasuraman, Zethaml, & Berry, 1985). The definitions of quality have their origin in manufacturing sector. Crosby (1979) defines quality as “conformance to requirements”. According to Japanese philosophy, quality is “Zero defects-doing it right first time”. Parasuraman et al. (1985) asserted that three peculiar characteristics of services- intangibility (performances rather than objects), heterogeneity (performances varies from producer to producer), and inseparability (produced and consumed simultaneously) must be considered for complete understanding of service quality. They further defined service quality based on expectancy-disconfirmation model as “a function of the magnitude and direction of the gap between expected service and perceived service”. Genestre and Herbig (1996) listed three traditional definitions of quality – 1) Conformance to specifications, 2) Fitness for use, and 3) Innate excellence.

Though, there are various perspectives found in extant literature on service quality definitions, the benefits of measuring service quality is unequivocally accepted. Service quality is the key determinant of customer satisfaction ((Angur, Natrajian, & Jahera, 1999), (Al-hawari, 2008), (Culiberg & Rojsek, 2010)). High service quality is linked to organizational outcomes such as improved profitability, high market share, customer loyalty and probability of purchase (Brady & Cronin, 2001). Improving service quality can increase favorable behavioral intentions such as loyalty, willingness to pay more and intent to stay with the organization (Zeithaml, Berry, & Parasuraman, 1996). Quality has both offensive and defensive effect on market share: offensive through word-of-mouth and defensive through customer retention (Kordupleski, Rust, & Zahorik, 1993). Incongruence in promised service and delivered
service leads to complaints, dissatisfied and lost customers; and bad word-of-mouth affecting bottom line (Holmlund & Kock, 1996).

Two perspectives dominate the conceptualization of service quality-Nordic perspective pioneered by Gronroos (1984) and American perspective dominated by GAP model suggested by Parasuraman et al. (1985).

2.1.1 Nordic Perspective of Service Quality

Nordic perspective of service quality is pioneered by Gronroos’s model of service quality depicted in figure 2.1. The model is based on Confirmation-Disconfirmation theory of customer satisfaction proposed by Oliver (1980).

Gronroos Model:- According to Gronroos, (1984), service quality has two dimensions – a technical or outcome quality and a functional or process-related quality.

Technical quality refers what customers receive in their interaction with the firm e.g. loan in retail banks. All the potential outcomes of the service form technical service quality. The technical quality consists of five output related dimensions- employees’ technical ability, employees’ knowledge, technical solutions, computerized systems, and machine quality.

Functional quality refers to how customers receive the service and their experience of simultaneous production and consumption process.

It consists of seven attributes – employee behaviour, employee attitude, accessibility, appearance, customer contact, internal relationships; and service-mindedness.

Corporate image acts as a filter through which quality is assessed. Thus, a minor mistake by firm having unfavourable image will be
exaggerated. On the other hand, occasional minor mistake by a firm with positive image will be forgiven.

Perceived service quality is the gap between expected quality and experienced quality. The quality expectations is a function of factors like market communication, word-of-mouth communication, corporate image, and customers' needs.

Figure 2.1. Gronroos's Model of Service Quality. Adapted from Gronroos (1984).

Holmlund and Kock (1996) added third dimension economic quality to the Gronroos model of technical quality and functional quality, based on findings from rural western Finnish banks. Economic quality dimension is mentioned as the value a customer receives in a relationship and comprises of elements like profitability and productivity.

Carman (2000) empirically showed that consumers evaluated the technical dimensions of nursing care, physician care, and outcome as more important than the accommodation functions of hospital care.
2.1.2 American Perspective of Service Quality

American perspective of service quality is dominated by GAP model suggested by Parasuraman et al. (1985).

**GAP Model:** Conducting focus groups for four services—retail banking, credit cards, securities brokerages, and product repair and maintenance, Parasuraman et al. (1985) proposed a GAP model of service quality illustrated in figure 2.2. Service quality is influenced by following gaps.

1. GAP 1: The gap between consumer expectations and management perceptions of those expectations.
2. GAP 2: The gap between management perceptions of consumer expectations and the firm’s service quality specifications.
3. GAP 3: The gap between service quality specifications and actual service delivery.
4. GAP 4: The gap between actual service delivery and external communications about the service.
5. GAP 5: The gap between expected service and perceived service. The gap 5 is function of gap1 to gap 4. The magnitude and direction of each gap impacts service quality.
Figure 2.2. GAP Model of Service Quality. Adapted from Parasuraman et al. (1985)

They further suggested 10 determinants of service quality -

1. **TANGIBLES** include the physical evidence of the service.
2. **RELIABILITY** includes consistency of performance and dependability.
3. **RESPONSIVENESS** deals with the willingness or readiness of employees to provide service.
4. **COMMUNICATION** means keeping customers informed in language they can understand and listening to them.
5. **CREDIBILITY** involves trustworthiness, believability, honesty and additionally, includes having the customer’s best interests at heart.
6. **SECURITY** is the freedom from danger, risk, or doubt.
7. COMPETENCE is possession of the required skills and knowledge to perform the service.
8. COURTESY involves politeness, respect, consideration, and friendliness of contact personnel (including receptionists, telephone operators, etc.).
9. UNDERSTANDING/KNOWING THE CUSTOMER involves making the effort to understand the customer's needs.
10. ACCESS includes approachability and ease of contact.

The considerable overlap was found among these 10 dimensions (Parasuraman et al. (1988)) and the scale was refined to 5 dimensions. The three dimensions tangibles, reliability and responsiveness remained distinct in the new SERVQUAL. However, original seven dimensions communication, credibility, security, competence, courtesy, understanding/knowing customers, and access combined into two new dimensions- assurance and empathy. Thus, new SERVQUAL consisting of 22 statements, each for measuring expectation and perception has following five dimensions:-

1. Tangibles (measured by 4 items) include physical facilities, equipment, and appearances of personnel.
2. Reliability (measured by 5 items) is an ability to perform the promised service dependably and accurately.
3. Responsiveness (measured by 4 items) is the willingness to help customers and provide prompt service.
4. Assurance (measured by 5 items) deals with knowledge and courtesy of employees.
5. Empathy (measured by 4 items) means caring, individualized attention the firm provides its customers.
Criticism of SERVQUAL

The criticism associated with the SERVQUAL scale can be grouped into four main categories- 1) the use of difference or Gap scores (Bolton and Drew, 1991; Cronin & Taylor, 1992; Peter, Churchill and Brown, 1993; Edwards, 1994; Page and Spring, 2002). 2) Psychometric property of the scale (i.e. Reliability, dimensionality and validity of the scale) (Carman, 1990; Finn and Lamb, 1991; Bolton and Drew, 1991; Dabholkar, Shepherd, and Thorpe, 2000; Badri, Abdulla, and Abdelwahab, 2005); 3) Ambiguity and use of expectation construct (Carman, 1990; Teas, 1994), and 4) Unstable dimensionality of the scale (Carman, 1990; Van Dyke et. al, 1999; Ladhari, 2008).

Though, SERVQUAL was widely criticized and debated, it is found to be employed across various service settings to measure service quality, especially in the context of retail banking.

2.1.3 Service Quality Models in Retail Banking

American perspective based on GAP model suggested by Parasuraman et al. (1985) dominates the conceptualization and measurement of service quality in the context of banking. Avkiran (1994) proposed service model for an Australian commercial bank with special emphasis on retail operations. The model consists of 17 items across four discriminating dimensions — Staff conduct refers to responsiveness, civilized conduct and presentation of branch staff that will project a professional image to the customers, Credibility deals with maintaining staff-customer trust by rectifying mistakes and keeping customers informed, Communication means fulfilling banking needs of customers by successfully communicating financial advice and serving timely notices; and Access to teller services is the adequacy of number of staff serving customers throughout business hours and during peak hours.
Thus, he found the dimensions responsiveness, assurance and Empathy of SERVQUAL.

Johnston (1995) listed eighteen determinants of service quality—attentiveness/helpfulness, responsiveness, care, availability, reliability, integrity, friendliness, courtesy, communication, competence, functionality, commitment, access, flexibility, security, aesthetics, cleanliness, and comfort for the personal customers of the bank.

Bahia and Nantel (2000) developed a banking service scale (BSQ) for the measurement of retail banking service quality in Canada. The scale was built with foundation of Parasuraman et al.'s (1985) ten dimensional SERVQUAL; drawing items from Carman's (1990) work for courtesy and access dimensions, and adding items to cover 7p's (product/service, place, price, promotion, people, process and physical surroundings) of service marketing. The scale comprises of 31 items spanning across six dimensions, namely effectiveness and assurance, access, price, tangibles, services portfolio and reliability.

Guo and Duff (2008) constructed Chinese Banking Service Quality (CBSQ) model using SERVQUAL to measure service quality in Chinese corporate banking. The CBSQ model is a nested model with two higher order constructs functional quality and technical quality; and four lower order dimensions reliability (3 items), human capital (7 items), technology (4 items) and communication (6 items). Functional quality concerns with how customers receive service from their corporate bankers. It consists of two subdimensions: reliability — is ability to perform promised service accurately and dependably; and human capital relates to bank employees' physical appearance, hospitality, professional expertise and efficiency. Technical quality is what customers actually receive from their corporate banker.
It comprises of two subdimensions: communication – is the channel of communication between the customer and corporate banker; including access to banking services, and technology – is the application of modern technology in banking services; particularly information technology. However, some researchers have conceptualized service quality based on Nordic perspective.

Alidaigen and Buttle (2002) developed service quality model SYSTRA-SQ (YSstem and TRAnsaction Service Quality) for application in retail banking industries in UK, using Gronroos model as a starting point. The multidimensional scale SYSTRA-SQ consists of four dimensions: - Service System Quality (SSQ) consists of functional quality attributes including listening to customers, ease of availability and accessibility, speed of response and organizational appearance as well as the technical attributes including quality of advice, flexibility and customized service solutions, promise fulfillment, employee empowerment and customer updating on services; Behavioral service Quality (BSQ) represents evaluation of how service is performed by employees and includes attributes such as politeness, courtesy, friendliness, employees’ helpfulness and employees’ service attitude; Machine service Quality (MSQ) focuses on machine and equipment quality and is related to reliability and performance of machines in service delivery; and Service Transactional Accuracy (STA) concerns employees’ and system accuracy. In the context of retail banking, the dimensions responsiveness, assurance and empathy of service quality have emerged in all the studies. Further, reliability and tangibles dimensions showed up based on the context of the studies.

Several authors have found service quality as a key determinant of customer satisfaction (Yavas, Benkenstein, & Stuhldreier, 2004; Gounaris, 2005; Dagger et al., 2007).
2.2 Customer Satisfaction

"Everyone knows what satisfaction is until asked to give a definition" - Richard Oliver. This quote captures in essence the struggle of researchers to conceptualize the satisfaction construct empirically tested and globally accepted. Oliver (1980) defined satisfaction as consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment. This definition has three components: satisfaction is, a cognitive process; related to how consumer feels about the product or service (affective connotation), and concerned with fulfillment response.

Building on this definition, Zeithaml (1996) expressed satisfaction as consumer's evaluation of a product or service in terms of whether that product or service had met customer's need and expectations. This was what Oliver (1980) called confirmation.

Giese and Cote (2000) listed three common elements shared by different definitions of customer satisfaction – 1) customer satisfaction is a response (emotional or cognitive) 2) the response pertains to a particular focus (expectation, product, consumption experience etc.); and, 3) the response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc. They further suggested that any context-specific definition of consumer satisfaction should include following components – a summary response of varying intensity; with a time specific point of determination and limited duration, and directed towards focal aspect of product acquisition and/or consumption.

According to Gupta and Zeithaml (2006), satisfaction is typically described as disconfirmation of expectations. Dissatisfaction is defined as the failure to meet needs and expectations with the product or service. In the view of Parker and Mathew (2001), customer satisfaction can be viewed as a process; an evaluation between what was received and what
was expected or preconsumption standard, or as an outcome of a consumption activity or experience.

One of the major definitional issues in the literature is whether to conceptualize satisfaction as a transaction-based evaluation or as an overall, cumulative evaluation similar to attitude. Oliver (1993) viewed satisfaction as an immediate postpurchase evaluative judgement or affective reaction. Transaction-specific satisfaction is defined as customers’ evaluation of his/her experience and reactions to a particular service encounter (Cronin and Taylor, 1992). Olsen and Johnson (2003) defined transaction-specific satisfaction as a customer’s evaluation of his or her experience with and reactions to a particular product transaction, episode or service encounter.

Anderson et al. (1994) defined customer satisfaction as an overall evaluation based on the total purchase and consumption experience with good or service over time. Cumulative satisfaction is said to be customers’ overall evaluation of the consumption experience till date (Johnson et. al. 1995).

Jones and Suh (2000) empirically proved that transaction-satisfaction can be differentiated from overall satisfaction using hairstyling service setting. They proved that overall satisfaction is better predictor of repurchase intention than transaction-specific satisfaction.

According to Olsen and Johnson (2003), these different conceptualizations are more complimentary than competing. Transaction-specific measures capture the complex psychological reaction of customers’ to a product or service encounter and help company track changes in performance due to internal changes and/or quality improvements. Cumulative satisfaction on the other hand leave time period of evaluation open. The purpose of the study should drive which measure of satisfaction should be used. When a goal is to predict
behavioral intention then overall satisfaction measure should be used whereas if the goal is to continually monitor service quality and customer satisfaction at service encounter stage then transaction-specific customer satisfaction measure should be used (Jones & Suh, 2000).

2.3 Service Quality Dimensions and Satisfaction

Though, many studies report service quality as an antecedent to customer satisfaction, there is a disagreement between whether all or few dimensions of service quality influence satisfaction.

Levesque and McDougall (1996) claimed that service quality in retail banking comprised of two basic dimensions - core and relational. The core dimensions concerned with accuracy, expectancy, meeting promises and informing customers about when services would be performed, whereas, relational dimension concerned with the relationship between the customer and the service representative. Both the service quality dimensions were important drivers of customer satisfaction.

Angur et al. (1999) reported that Reliability and Responsiveness dimensions of the SERVQUAL were most important in the customers’ assessment of service quality followed by Empathy and Tangibles. Assurance appeared to be the least important dimension contributing to perception of service quality.

Ahmad and Naser (2002) discovered a strong relationship between two dimensions of service quality- core and relational and customer satisfaction. There was, however, no relationship found between customer satisfaction and tangible aspects of the service environment.

Al-hawari, (2008) found that traditional services quality factors, which include employees, process, and tangibles, were still important to satisfy customers in today’s dynamic banking environment.

Ravichandran et al. (2010) examined the influence of perceived service quality on customer satisfaction and found that, of all the dimensions of service quality, only responsiveness was significant in predicting overall satisfaction with the banking service.

Culiberg & Rojsek, (2010) identified four factors Assurance and Empathy, Reliability and Responsiveness, Access and Tangibles as dimensions of service quality having significant impact on customer satisfaction. They further reported that Assurance and Empathy dimension was the most critical in formation of customer satisfaction.

Awan et al. (2011) found empathy, service architecture, convenience service encounter, employee service criteria and customer focus as important dimensions of service quality in conventional as well as Islamic banks. They further, reported that functional quality was a principal determinant of overall service quality.

2.4 Service Quality, Customer Satisfaction and Behavioral Intentions

Cronin and Taylor (1992) found that service quality is an antecedent to customer satisfaction, and Customer satisfaction has significant positive impact on future purchase intention. However, the impact of service quality on future purchase intention was found to be non-significant; supporting the view that customer satisfaction mediates between service quality and behavioral intentions.

Rust and Zahorik (1993) stated that customer satisfaction and service quality have a direct measurable impact on customer retention, market share and profitability.
Angur et al. (1999) studied the impact of service quality on customer satisfaction and future usage intention using data from a leading public and private bank in India. Service quality was found to be positively linked to customer satisfaction and future usage intention.

Dabholkar et al. (2000) empirically tested two models – independent effect model with customer satisfaction and service quality as antecedents to behavioral intentions, and second model with customer satisfaction as a mediator between service quality and behavioral intentions. The second model was found to be superior in compare to independent effect model.

Bahia and Nantel (2000) reported significant impact of service quality on customer satisfaction, and willingness to recommend in Canadian retail banking.

Caruana (2002) studied relationship between service quality, customer satisfaction and Service quality in Retail Banking customers in Malta and found that the effect of service quality on service loyalty was much less than effect of customer satisfaction on service quality. Thus, he suggested that customer satisfaction mediates between service quality and service loyalty.

Zhou (2004) analyzed the relationship between service quality, customer satisfaction, and potential and actual switching behaviour in retail banking in China and reported that Service quality affect customer satisfaction, which in turn, leads to actual and potential switching behaviour.

Yavas et al. (2004) asserted that service quality was at the root of customer satisfaction and directly linked to such behavioral outcomes as word of mouth, complaint, recommending and switching. Thus, they
advocated the direct effect of service quality on customer satisfaction as well as behavioral intentions.

2.5 Research Gaps Identified

After reviewing the extant literature following research gaps were identified:

- There is a difference in viewpoint of different researchers regarding conceptualization of service quality. Though, service quality conceptualization proposed by Parasuraman et al. (1988) is found to be widely accepted, there is a disagreement over the number of dimensions and items for capturing service quality. Service Quality is defined as unidimensional as well as multidimensional construct. Service quality in the current study is hypothesized as a multidimensional construct with five dimensions Tangibles, Reliability, Assurance, Responsiveness and Empathy. The testing of this hypothesis would reveal the number of dimensions as applicable to retail banking context.

- There is no generally agreed upon tool for measuring service quality in the extant literature. Though, widely debated and criticized on the different grounds, SERVQUAL instrument suggested by (Parasuraman et al., 1988) is still used in measuring service quality in various sectors. Most of the service quality scales used by different authors to measure service quality have used SERVQUAL as a foundation (Avkiran, 1994; Bahia and Nantel, 2000; Geo and Duff, 2008). This study too used SERVQUAL as a foundation for measuring service quality. However, most of the authors raised concern over the appropriateness of use of the gap scores on the ground of unequal effect of perceptions and expectations (Brown et al., 1993; page and spring, 2002). Additionally, perception only scores were found to have more
predictive validity than gap scores (Bolton and Drew, 1991; Cronin and Taylor, 1992).

Taking this into consideration, the current study used perception only scores for measuring service quality and test validity and reliability of the scale to test applicability of the developed scale in retail banking.

➢ There is a disagreement over which dimensions of service quality is more important. It is noted that different contexts throw different dimensions as significant affecting service quality (Carman, 1990; Cronin and Taylor, 1992; Ekinci et al., 2008). In banking too, there is difference of opinion regarding influence of various dimensions on service quality (Avkiran, 1994; Johnston, 1995; Caruana, 2002; Guo and Duff, 2008). The present study hypothesized all the dimensions to have significant impact on service quality and testing of these hypotheses helped in identification of the influencing dimensions as well as comparison of contributions of these dimensions in service quality.

➢ There are two perspectives on the relationship between service quality, customer satisfaction and behavioral intentions. One viewpoint suggested customer satisfaction mediates the relationship between service quality and behavioral intentions (Zeithml et al. 1996; Dabholkar et al. 2000), whereas other suggested customer satisfaction and service quality both affect behavioral intentions directly (Kordupleski et al., 1993; Holmlund & Kock, 1996). The study tested direct as well as indirect effect in hypothesized model of relationship between service quality, customer satisfaction and behavioral intentions.
2.6 Theoretical Framework

The review of literature presented in previous chapter acts as a foundation for theoretical framework.

Parasuraman et al. (1985) suggested five dimensions of service quality—tangibles, reliability, responsiveness, Assurance and empathy. These five dimensions and their descriptions served as the basic structure of the service quality domain from which items were derived for the development of measurement scale. The original scale developed by Parasuraman et al. (1991) has 22-items of 7-point likert scale; each for expectations and perceptions. The service quality was operationalized as a gap between customer’s expectations and perceptions of performance on these variables. Higher is the gap score, the higher is the level of service quality perceived by the customers. However, the use of gap score was criticized by many researchers. Each quality dimension was quantified by obtaining measures perceptions of performance levels for service attributes relevant to each dimension. Cronin and Taylor (1992) introduced the variant of SERVQUAL scale which they called SERVPERF. They provided evidence of superior validity of performance-only scores over gap scores in four industries (namely banks, pest control, dry cleaning, and fast food) and advocated the use of performance only scores. The performance only scale not only reduced the items by 50% but also found to explain greater variance in the overall service quality measured through use of single item scale. Thus, performance only measures were used in the present study for measurement of service quality.

Theoretical considerations further suggested that service quality is a key determinant of customer satisfaction. Customer satisfaction can be conceptualized as transaction based evaluation as well as overall evaluation of the consumption experience till date. It was suggested that
the purpose of the study should drive which measure of the satisfaction to be used (Olsen and Johnson (2003)). One of the objectives of the present study was to find the impact of satisfaction on behavioral intention and hence, satisfaction was defined as overall evaluation of post consumption experience. Customer satisfaction measurement was based on American Consumer Satisfaction index (Fornell et al. (1996)), and used 3-items: the overall rating of satisfaction, the degree of to which performance of retail banks falls short or exceed expectations, and a rating of performance relative to the performance of customer’s ideal bank. Each item was measured on 7-point rating scale from strongly agree (7) to strongly disagree (1).

Additionally, the extant literature revealed the link between customer satisfaction and behavioral intention. Behavioral intentions consisted of favourable and unfavourable intentions. Favourable intentions included saying positive things, recommending bank, continue to transact, using other products; and willingness to pay price premium. Unfavorable consequences involved switching to the other bank, complaining to other customers, complaining to bank employees; and complaining to external agencies. Behavioral intentions consisted of eleven items measured on 7-point scale (1=strongly Disagree, 7=strongly Agree).

Research has shown different perspectives regarding relationships between service quality, customer satisfaction and behavioral intention. Service quality was found to affect customer satisfaction, which in turn, had significant impact on behavioral intention (Cronin and Taylor 1992; Shanka 2012). However, the mediating role of service quality between satisfaction and intention was also supported (Dagger et al. 2007). Based on theoretical framework, the model shown in figure 2.3 was proposed.
(+) indicates positive impact

Figure 2.3. Proposed model of relationship between Service Quality, Customer Satisfaction, and Behavioral Intentions

2.7 Research Hypothesis

Based on the proposed model and research objectives following hypotheses were formulated.

2.7.1 Hypothesis associated with research objective 1

1. $H_1$: Service quality is a multidimensional construct

2.7.2 Hypotheses associated with research objective 2

2. $H_2$: Service quality has direct positive impact on customer satisfaction

3. $H_3$: Customer Satisfaction has direct positive impact on behavioral intention of the customer.

4. $H_4$: Customer satisfaction mediates the relationship between service quality and behavioral intention
2.7.3 **Hypotheses associated with research objective 3**

5. \( H_5 \): Service quality dimensions have significant impact on customer satisfaction.

2.7.4 **Hypotheses associated with research objective 4**

- \( H_6 \): Service quality perceived by retail bank customers of at least one age group is different than others.

- \( H_7 \): Service quality perceived by male and female retail bank customers differs significantly.

- \( H_8 \): Service quality perceived by retail bank customers of at least one income group differs significantly than others.

- \( H_9 \): Service quality of retail bank customers of at least one qualification group is different than others.

- \( H_{10} \): Service quality perceived by employed and self-employed retail bank customers differs significantly.

- \( H_{11} \): Satisfaction of retail bank customers of at least one age group is different than others.

- \( H_{12} \): Satisfaction of male and female retail bank customers differs significantly.

- \( H_{13} \): Satisfaction of retail bank customers of at least one income group is different than others.

- \( H_{14} \): Satisfaction of retail bank customers of at least one qualification group is different than others.

- \( H_{15} \): Satisfaction of employed and self-employed retail bank customers differs significantly.
➢ $H_{16}$: Behavioral intentions of retail bank customers of at least one age group differ significantly than others.

➢ $H_{17}$: Behavioral intentions of male and female retail bank customers differ significantly.

➢ $H_{18}$: Behavioral intentions of retail bank customers of at least one income group differ significantly than others.

➢ $H_{19}$: Behavioral intentions of retail bank customers of at least one qualification group differ significantly than others.

➢ $H_{20}$: Behavioral intentions of employed and self-employed retail bank customers differ significantly.

3. RESEARCH METHODOLOGY

3.1 Research Design

A cross-sectional correlational field study research design was used as the primary objective of the research was to study the relationships between service quality and customer satisfaction in retail banking sector. Moreover, the linkages between service quality, customer satisfaction and behavioral intention were to be examined. The data on three constructs service quality; customer satisfaction and behavioral intentions were collected from retail banking customers through mail questionnaires.

3.2 Instrument Used For Data Collection

The structured questionnaire was used to collect the data. The questionnaire designed for the purpose comprises of five parts: - Banking behavior scale, service quality scale, customer satisfaction scale, behavioral intentions scale and demographic information.
Part 1: Customer Banking Behaviour

The first part of the questionnaire consists of information related to consumer's banking behavior and seeks information about the banking products customer utilizes such as accounts and deposits, loans, cards, investments, demand drafts, lockers, travelers' cheque etc. and mode of transactions used. Additionally, this section collects information on whether these products were used from the same bank or different banks.

Part 2: Service Quality scale

The part 2 of the questionnaire is the service quality scale comprised of 22 items combined to form 5 dimensions. Of the five dimensions three dimensions Tangibles, Responsiveness and Assurance comprise of 4 items each whereas other two dimensions Reliability and Empathy consists of 5 items each. Tangibles dimension is concerned with appearance of physical facilities, equipment, personnel, and communication materials. Responsiveness is willingness of service employees to help customers and provide prompt service. Assurance is employees' knowledge and courtesy as well as their ability to inspire trust and confidence. Reliability is ability of performing the promised service dependently and accurately and Empathy refers to caring, individualized attention given to customers. A seven point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (7) was used to capture data about service quality.

Part 3: Customer Satisfaction scale

The part of the questionnaire measured retail banking customer satisfaction using 3 items 7-point scale. The items captures information with regards to overall satisfaction, extent to which bank meets customer's expectations and how it compared to the ideal bank from perspective of customers.
Part 4: Behavioral Intentions scale

This part assesses the future intentions of the retail banking customers with regards to patronage, advocacy, commitment to use services for long time, willingness to use other products from the bank etc. This section comprised of 11 items based on behavioral intention battery suggested by Zeithaml et. al (1996).

Part 5- Demographic details

This part would like to find out the respondents personal background in order to analyze the results of this research on the basis of this demographic data. The background information of the respondents includes – Age, Gender, Monthly income, education and occupation.

3.3 Pilot Testing of the Questionnaire

The questionnaires were distributed to 66 retail bank customers selected using nonprobability sampling technique for pilot testing of the questionnaire. The pilot test was performed to analyze the questionnaire for respondent understanding in terms of question meaning, appropriateness of response categories, and question clarity. The pilot test provided information about instrument administration, time taken, and different analysis technique that can be employed. The reliabilities of the scales were tested using Cronbach’s alpha. Certain minor corrections were made after analyzing results of pilot study.

3.4 Sampling Design

The population comprised of retail banking customers residing and are customers of banks in suburbs of the greater Mumbai. The nonprobability sampling technique is used for selection of the samples in both the phases due to following reasons:-
The total number of retail bank customers is large and the data about all retail bank customers i.e. population was not available at single point. (Cooper et al., 2011)

The retail banking customers needed to have some experience of branch banking as service quality measurement needed respondent to answer questions on tangible aspects of banking service.

The data were collected in two phases. In the phase 1, data was collected from 262 retail banking customers through 300 distributed questionnaires for establishing the dimensions of service quality and behavioral intentions. Thus, response rate of 87% was achieved.

In the phase 2, data was collected from 398 retail banking customers through 500 distributed questionnaires with response rate of 79.6 percent. The retail bank customers were from 18 public banks, 11 private banks and 11 others including cooperatives and foreign banks. The top three public banks contributing to the data were State bank of India, Bank of Baroda and Bank of India; whereas the top three private sector banks were HDFC bank, ICICI bank and FEDERAL bank. This data was used for the purpose of achieving research objectives.

3.5 Data Collection Method

Structured Questionnaires were circulated to 800 retail banking customers in two phases. The permission was sought from the bank branch managers and data was collected from different branches. Additionally, references were used from the known customers. The filled questionnaires were screened for completeness.
4. RESULTS AND FINDINGS

The results and findings of the study are given below:-

4.1 Dimensions of Service Quality (Research Objective 1)

- The exploratory factor analysis resulted in three dimensions of service quality.
- The Kaiser-Mayo-Olkin measure of sampling adequacy was 0.964, and Bartlett's Test of Sphericity was significant \( \chi^2 (210) = 6084.596, p < 0.05 \).
- The communalities of all variables were all above 0.3 ranging from 0.545 to 0.850.
- Three factors had Eigen values greater than 1 and explained the total of 74.215% variance and were named as Tangibles, Service_Delivery and Empathy.
- The confirmatory factor analysis was carried out to confirm the service quality dimensions. The values for key fit Indices were: Chi-square/df = 2.704 with p-value 0.000 (< 0.05), RMSEA=0.066, GFI=0.932, CFI=0.968, TLI=0.961 and NFI =0.950.
- The average variances extracted by three factors - Tangibles, Service_Delivery and Empathy were 0.582, 0.675 and 0.677 respectively.
- The factor loadings for the items for Tangibles ranged from 0.733 to 0.813; for Service_Delivery ranged from 0.762 to 0.869 and for Empathy ranged from 0.797 to 0.842.
- The Cronbach's alpha values for three dimensions of service quality Tangibles, Service_Delivery and Empathy were 0.844, 0.936 and 0.861 respectively.
- The construct reliability coefficients for three dimensions of service quality Tangibles, Service_Delivery and Empathy were 0.848, 0.862 and 0.936 respectively providing evidence for reliability.
• These findings are summarized in table 4.1 describing factor structure of service quality.

Validity of the service quality scale

• The standardized regression weights (Factor loadings) of all the indicators exceeded standard 0.7. The variance extracted estimates ranged from 0.582 to 0.677 and exceeded the standard 0.5. Also, the construct reliability estimates ranged from 0.848 to 0.936 and exceeded standard of 0.7 and presented adequate evidence for convergent validity.

• The discriminant validity of service quality was examined by comparing variance extracted estimates for each factor with the squared inter-construct correlations associated with that factor. The Tables below show AVE, MSV, ASV and inter-construct correlations for all the constructs. The tables above depict the evidence for discriminant validity. The variance extracted estimates for the three factors were 0.597, 0.601 and 0.617. For each factor, average variance extracted estimates was greater than squared inter-construct correlations associated with that factor. Also, AVE for each factor was greater than its MSV and ASV.
### Table 4.1

**Factor Structure of Service Quality**

<table>
<thead>
<tr>
<th>Dimension and items</th>
<th>Factor loadings (Cut-off =0.7)</th>
<th>Variance extracted (Cut-off =0.5)</th>
<th>Construct reliability (Cut-off =0.7)</th>
<th>Cronbach’s alpha (Cut-off =0.8)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangibles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T1</td>
<td>My Bank has modern looking equipment</td>
<td>0.767</td>
<td>0.582</td>
<td>0.848</td>
</tr>
<tr>
<td>T2</td>
<td>Physical facilities at My Bank are visually attractive and Comfortable</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T3</td>
<td>My Bank employees are well dressed and appear immaculate</td>
<td>0.737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T4</td>
<td>Materials associated with the service (Forms, brochures, Cheque book, Pass book, etc.) are visually appealing</td>
<td>0.733</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Service Delivery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RL2</td>
<td>When I have a problem, the bank’s employees show sincere interest in solving the problem</td>
<td>0.784</td>
<td>0.677</td>
<td>0.936</td>
</tr>
<tr>
<td>RL3</td>
<td>The bank correctly performs the service right the very first time.</td>
<td>0.762</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A3</td>
<td>Employees are polite in their dealing</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A4</td>
<td>Employees have adequate knowledge to answer my questions</td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS1</td>
<td>Employees tell exactly when service will be performed</td>
<td>0.841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS2</td>
<td>Employees give me the prompt service</td>
<td>0.869</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS3</td>
<td>Employees are always willing to help me</td>
<td>0.873</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Empathy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM2</td>
<td>Employees’ behavior instills confidence in me</td>
<td>0.842</td>
<td>0.675</td>
<td>0.862</td>
</tr>
<tr>
<td>EM4</td>
<td>Employees understand my specific needs</td>
<td>0.797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM5</td>
<td>The bank has my best interest at heart</td>
<td>0.825</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 4.2

*Inter-construct Correlations between Service Quality dimensions*

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>Squared Inter-construct correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy &lt;-&gt; Service_Delivery</td>
<td>0.814</td>
<td>0.663</td>
</tr>
<tr>
<td>Tangibles &lt;-&gt; Empathy</td>
<td>0.632</td>
<td>0.399</td>
</tr>
<tr>
<td>Tangibles &lt;-&gt; Service_Delivery</td>
<td>0.750</td>
<td>0.563</td>
</tr>
</tbody>
</table>

### Table 4.3

*Service Quality Dimensions: Average Variance Extracted (AVE), Mean Square Variance (MSV) and Average Shared Variance (ASV)*

<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
<th>MSV</th>
<th>ASV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>0.582</td>
<td>0.563</td>
<td>0.481</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.675</td>
<td>0.663</td>
<td>0.531</td>
</tr>
<tr>
<td>Service_Delivery</td>
<td>0.677</td>
<td>0.663</td>
<td>0.613</td>
</tr>
</tbody>
</table>

### 4.2 Dimensions of Behavioral Intentions

- The exploratory factor analysis resulted in one dimensional behavioral intention.
- The Kaiser-Mayo-Olkin measure of sampling adequacy was 0.869, and Bartlett's Test of Sphericity was significant ($\chi^2 (15) = 1397.153, p < 0.05$).
- The communalities of all variables were all above .3 ranging from 0.507 to 0.800.
Reliability statistics for customer satisfaction and behavioral intention scales

- The Cronbach's alpha values for customer satisfaction and behavioral intention scales were 0.832 and 0.932 respectively.

4.3 Service Quality, Customer Satisfaction and Behavioral Intentions (Research Objective 2)

- The structural modeling employed to test the mediating effect of customer satisfaction between customer satisfaction and behavioral intentions. The values for key fit Indices were: Chi-square/df = 2.271 with p-value < 0.05, RMSEA=0.057, GFI=0.902, CFI=0.962, TLI=0.956 and NFI =0.934.

- The direct effect of service quality on behavioral intention was found to be significant with path estimate of 0.336 and p-value < 0.05.

- The indirect effect of service quality on behavioral intentions through customer satisfaction was also found significant with total effect 0.462 and p-value < 0.05.

- Thus, customer satisfaction partially mediates the relationship between service quality and behavioral intentions.
Figure 4.1. The structural model of relationship between Service Quality, Customer Satisfaction, and Behavioral Intentions
<table>
<thead>
<tr>
<th>Type of Fit Indices</th>
<th>Goodness of Fit measure</th>
<th>Criteria</th>
<th>Observed Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Fit</td>
<td>$\chi^2 / df$</td>
<td>$2 \leq \chi^2/df \leq 5 \rightarrow$ Good fit</td>
<td>2.271</td>
</tr>
<tr>
<td></td>
<td>RMSEA</td>
<td>RMSEA $\leq 0.05 \rightarrow$ Good fit</td>
<td>0.057</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RMSEA $&lt; 0.1 \rightarrow$ Acceptable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GFI</td>
<td>GFI $\geq 0.9 \rightarrow$ Good fit</td>
<td>0.902</td>
</tr>
<tr>
<td></td>
<td>RMR</td>
<td>$0.05 \leq RMR \leq 0.1 \rightarrow$ Good fit</td>
<td>0.062</td>
</tr>
<tr>
<td>Comparative Fit</td>
<td>NFI</td>
<td>$\geq 0.9 \rightarrow$ Good fit</td>
<td>0.934</td>
</tr>
<tr>
<td>Parsimonious Fit</td>
<td>IFI</td>
<td>$\geq 0.9 \rightarrow$ Good fit</td>
<td>0.962</td>
</tr>
<tr>
<td></td>
<td>CFI</td>
<td>$\geq 0.9 \rightarrow$ Good fit</td>
<td>0.962</td>
</tr>
<tr>
<td></td>
<td>TLI</td>
<td>$\geq 0.9 \rightarrow$ Good fit</td>
<td>0.956</td>
</tr>
<tr>
<td></td>
<td>PGFI</td>
<td>$&gt; 0.5 \rightarrow$ Good fit</td>
<td>0.724</td>
</tr>
<tr>
<td></td>
<td>PNFI</td>
<td>$&gt; 0.5 \rightarrow$ Good fit</td>
<td>0.820</td>
</tr>
<tr>
<td></td>
<td>PCFI</td>
<td>$&gt; 0.5 \rightarrow$ Good fit</td>
<td>0.845</td>
</tr>
</tbody>
</table>
Table 4.5

Path estimates of Service quality on Satisfaction and Intentions; and Satisfaction on Intentions.

<table>
<thead>
<tr>
<th>Path</th>
<th>Standardized Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Significant / Insignificant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Effect</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service_Quality → Intentions</td>
<td>0.336</td>
<td>.072</td>
<td>4.039</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td><strong>Indirect Effect</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service_Quality → Satisfaction</td>
<td>0.841</td>
<td>.039</td>
<td>16.082</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>Satisfaction → Intentions</td>
<td>0.548</td>
<td>.098</td>
<td>6.497</td>
<td>***</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Note. *** indicates significant at 0.01 level.

4.4 Impact of Service Quality Dimensions on Customer Satisfaction
(Research Objective 3)

- Structural equation model revealed that service quality had positive significant impact on customer satisfaction with path coefficient (β) of 0.841 with p < 0.05.

- A multiple linear regression was calculated to predict customer satisfaction based on their perceived service quality dimensions Service_Delivery, Empathy and Tangibles. A significant regression equation was found (F (3, 394) = 368.048 p < 0.000), with R² of 0.858. Customers' predicted satisfaction is equal to 1.063 + 0.304 (Service_Delivery) + 0.166 (Tangibles) + 0.199 (Empathy), where service quality dimensions measured on scale of 1 to 7. Customer's satisfaction rating increased 0.304 for each rating of Service_Delivery, 0.199 for each rating of Empathy and 0.166 for
each rating of Tangibles. All the three dimensions Service_Delivery, Empathy and Tangibles were significant predictors of customer satisfaction.

- The results indicated that Service_Delivery had maximum impact on customer satisfaction followed by Empathy. Further, Tangibles was found to have least impact on customer satisfaction. Table 4.6 summarizes the results of multiple linear regression.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Service_Delivery</td>
<td>0.304</td>
<td>0.041</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.166</td>
<td>0.036</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.199</td>
<td>0.041</td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td>0.737</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>368.048**</td>
</tr>
</tbody>
</table>

***p < 0.01.
4.5 Effects of Demographic Characteristics on Service Quality, Customer Satisfaction, and Behavioral Intentions: (Research Objective 4)

4.5.1 Demographic variables and service quality

- There was statistically significant difference in service quality perceived by different age groups as determined by one way ANOVA (F (3,394) =3.355, p=0.019) at 5% level of significance.
- A Tukey post-hoc test revealed that service quality perceptions score of retail bank customers below 25 years (mean: 5.7140, SD: 1.09004) was significantly less than other age groups with p-values less than 0.05.
- The male retail bank customers perceived service quality more positively (Mean: 6.1642, SD: 1.07681) than female customers (Mean: 5.8139, SD: 1.26008) with t-value for difference of means of 2.648 and p-value =0.009 (<0.05).
- The Kruskal-Wallis H test showed that there was a statistically significant difference in service quality perceptions score between the different income groups, $\chi^2 (3) =18.838$, $p = 0.000$ (<0.05=\(\alpha\)).
- The difference between the mean rank service quality perception score of income group below 25000 and income group 50001-75000 was statistically significant different (p-value = 0.003 < 0.05=\(\alpha\)). Furthermore, the difference between than mean rank service quality perception scores of income group below 25000 and income group 75001-Above was statistically significant (p-value = 0.001 < 0.05=\(\alpha\)).
- Thus, the mean perceived service quality score of low income group was found to be significantly less than other groups.
4.5.2 Demographic Variables and Customer Satisfaction

- There was statistically significant difference in satisfaction of customers belonging to different age groups as determined by one way ANOVA ($F (3,394) =4.609$, $p=0.003$) at 5% level of significance.

- A Tukey post-hoc test revealed that customer satisfaction of retail bank customers below 25 years (Mean: 4.4871, SD: 0.89438) was significantly lower than the other age groups with p-values less than .05.

- The independent sample T-test revealed significant difference in satisfaction of male and female customers with t (2.094) and Sig (p) = .038 < 0.05 = α. The mean score of satisfaction of male retail bank customers (M: 4.8607, SD: 0.78555) and mean score of satisfaction of female retail bank customers (M: 4.6509, SD: 0.96560) indicated that male customers were significantly more satisfied than the female customers.

- There was statistically significant difference in satisfaction of customers belonging to different income groups as determined by one way ANOVA ($F (3,394) =6.128$, $p=0.000$) at 5% level of significance.

- A Tukey post-hoc test revealed that the satisfaction of retail bank customers earning below 25000 (4.4998± 0.94887) was significantly lower than the other groups with p-values for comparison of means < 0.05.
4.5.3 Demographic Variables and Behavioral Intentions

- There was statistically significant difference in behavioral intentions of customers belonging to different age groups as determined by one way ANOVA ($F(3,394) = 3.383, p=0.018$) at 5% level of significance.

- A Tukey post-hoc test revealed that behavioral of retail bank customers below 25 years (Mean: 5.0204, SD: 1.11407) was significantly lower than the other age groups with p-values less than .05.

- The independent sample T-test revealed significant difference in behavioral intentions of male and female customers with $t(2.278)$ and $\text{Sig (p) = .038 < 0.05 = } \alpha$. The mean score of intentions of male retail bank customers (M: 5.4096, SD: 0.95040) and mean score of intentions of female retail bank customers (M: 5.1617, SD: 1.08894) indicated that male customers showed better intentions than the female customers.

- The Kruskal-Wallis H test showed that there was a statistically significant difference in behavioral intentions scores between the different income groups, $\chi^2 (3) = 15.197, p = 0.002 (<0.05=\alpha)$.

- The mean rank behavioral intentions score of age group below 25 was 165.19 and was significantly different than the other groups with p-values less than 0.05.
4.5.4 Customer Banking Behaviour

- Among the core products offered by Banks such as accounts and deposits, customers showed preference towards using the primary bank, there by exhibiting high loyalty. The percentage of customers using the same bank for maintaining current account, fixed deposits and salary account were 71.96%, 62.53% and 77.96% respectively. Salary account holders offers great opportunity for bank to up-sell and cross-sell as customers are likely to use this account for long duration.

- Retail bank customers showed moderate tendency to use the primary bank for use of third party banking products such as demat and trading accounts, mutual funds, insurance products and bonds. The percentage of customers using only primary bank for such products were 55.45% for demat and trading account, 50.38% for mutual funds, 52.29% for insurance products and 40.68% for bonds. Besides, customers using multiple banks for such products were 9.9% for demat and trading account, 14.3% for mutual funds, 15.7% for insurance products and 13.6% for bonds.

- The tendency to use the primary bank for usage of assets products such as home loans, personal loans, and car loans was moderate. The percentage of customers using the primary banks for home loans, personal loans, and car loans were 53.72%, 63.38%, and 54.02% respectively.

- Among the transaction linked products, 59.26% of the retail bank customers availed of primary bank services for the overdrafts. The respective percentage of using primary bank for demand draft and lockers were 74.09% and 45.93%.
### 4.6 Summary of the Hypothesis Tested

The table indicates summary of all the hypotheses tested during the study. Out of the 20 hypotheses framed, 17 were supported and 3 were not supported. Table 4.7 indicates the summary of tested hypothesis.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Supported/Not Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁: Service quality is a multidimensional construct</td>
<td>Supported</td>
</tr>
<tr>
<td>H₂: Service quality has direct positive impact on customer satisfaction</td>
<td>Supported</td>
</tr>
<tr>
<td>H₃: Customer Satisfaction has direct positive impact on behavioral intentions of the customer.</td>
<td>Supported</td>
</tr>
<tr>
<td>H₄: Customer satisfaction mediates the relationship between service quality and behavioral intentions</td>
<td>Supported</td>
</tr>
<tr>
<td>H₅: All the dimensions of the service quality have significant positive impact on customer satisfaction</td>
<td>Supported</td>
</tr>
<tr>
<td>H₆: Service quality perceived by retail bank customers of at least one age group is different than others.</td>
<td>Supported</td>
</tr>
<tr>
<td>H₇: Service quality perceived by male and female retail bank customers differ significantly</td>
<td>Supported</td>
</tr>
<tr>
<td>H₈: Service quality perceived by retail bank customers of at least one income group differ significantly than others</td>
<td>Supported</td>
</tr>
<tr>
<td>H₉: Service quality of retail bank customers of at least one qualification group is different than others.</td>
<td>Supported</td>
</tr>
<tr>
<td>H₁₀: Service quality perceived Employed and Self-Employed retail bank customers differ significantly</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Hypothesis</td>
<td>Supported/Not Supported</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>$H_{11}$: Satisfaction of retail bank customers of at least one age group is different than others.</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_{12}$: Satisfaction of male and female retail bank customers differ significantly</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_{13}$: Satisfaction of perceived by retail bank customers of at least one income group differ significantly than others</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_{14}$: Satisfaction of retail bank customers of at least one qualification group is different than others.</td>
<td>Supported</td>
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<tr>
<td>$H_{15}$: Satisfaction of Employed and Self-Employed retail bank customers differ significantly</td>
<td>Not Supported</td>
</tr>
<tr>
<td>$H_{16}$: Behavioral Intentions of retail bank customers of at least one age group is different than others.</td>
<td>Supported</td>
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<tr>
<td>$H_{17}$: Behavioral Intentions of male and female retail bank customers differ significantly</td>
<td>Supported</td>
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<tr>
<td>$H_{18}$: Behavioral Intentions of retail bank customers of at least one income group differ significantly than others</td>
<td>Supported</td>
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<tr>
<td>$H_{19}$: Behavioral Intentions of retail bank customers of at least one qualification group is different than others</td>
<td>Supported</td>
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<tr>
<td>$H_{20}$: Behavioral Intentions of Employed and Self-Employed retail bank customers differ significantly</td>
<td>Not Supported</td>
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5. DISCUSSION AND CONCLUSIONS

5.1 Discussion

The major emphasis of the proposed model was on relationship between service quality and customer satisfaction in the context of retail banking in greater Mumbai. As per the findings of the study, service quality comprises of three dimensions- Tangibles, Service_Delivery and Empathy in the context of retail banking. This multidimensional structure of service quality in retail banking is consistent with the extant literature (Levesque and McDougall, 1996; Zhou, 2004; Al-hawari, 2008; Ravichandran et al., 2010). This structure will allow managers to evaluate service quality at two levels- at global level and at dimension level. The manager can evaluate the overall service quality at a global level to assess overall performance of the bank and at a dimension level to pinpoint the specific aspects of service quality that is affecting the service quality perception of customers.

Additionally, consistent with the hypotheses and the extant literature, the service quality was found to explain the level of customer satisfaction experienced in retail banking. The study supports the prior research that service quality has positive impact on customer satisfaction (Angur et al., 1999; Culiberg & Rojsek, 2010, Awan et al., 2011). Satisfaction was strongly indicated to be influenced by service-delivery followed by empathy and tangibles.

This result implied that retail bank customers valued how service was delivered to them most while evaluating satisfaction with the service. They were concerned with the sincerity of bank employees while solving their problem and consistency with which service was performed correctly at the first instance. Thus, reliability of the service delivery
was found to have an impact on satisfaction. This result is consistent
with the findings of Angur, (1999); Zhou, (2004) and Culiberg & Rojsek,
(2010). Polite and knowledgeable service employees formed the integral
part of the assured service delivery. The positive impact of assurance on
customer satisfaction is consistent with the findings of Angur (1999),
Zhou (2004), and Culiberg & Rojsek, (2010). Another important
component of service delivery was how quickly service could be
delivered and knowledge of when service would be performed. Thus,
responsiveness of service delivery affected customer satisfaction
positively. The positive impact of responsiveness on customer
satisfaction is supported by Angur et al. (1999), Ravichandran et al.
(2010), and Culiberg & Rojsek, (2010),

The customer satisfaction was also affected by understanding of
their needs by banks and confidence they had while dealing with service
employees. Thus, Empathy dimension of the service quality had
significant positive impact on customer satisfaction.

This finding is consistent with the earlier literature (Angur et al., 1999;
Culiberg & Rojsek, 2010; Awan et al., 2011). Furthermore, the modern
equipment, physical facilities, immaculate appearance of bank employees
and the aesthetics of materials provided by bank such as pass book,
cheque book etc. found to have affected customer satisfaction. Thus,
tangibles aspect of service quality also found to have significant positive
impact on customer satisfaction. The positive impact of tangibles
dimension of service quality is consistent with the findings of Angur et

The result further indicated that customer satisfaction has
significant positive impact on behavioral intentions of the bank
customers. The satisfied customers would not only say positive things
about the bank but also encourage their friends and relative to use the
services offered by the bank. Thus, the satisfied customers patronize as well as advocate products and services offered by bank. They have expressed their intentions to use the bank services for a long time in future and readily use other products and services from the bank. They have shown preference to use services of the bank in case of future banking needs. The impact of service quality on behavioral intentions of customer; found in the study, is consistent with the existing literature (Rust and Zahorik (1993), Angur et al. (1999), Bahia and Nantel (2000); Yavas et al. (2004)).

The impact of service quality on behavioral intentions is twofold. Service quality has direct positive impact on behavioral intentions as well as an indirect impact by driving customer satisfaction, which in turn, affects behavioral intentions (Zhou, 2004). The direct impact of service quality on behavioral intentions is supported by findings of Angur (1999), Bahia and Nantel (2000), Yavas et al. (2004) and Saunders & Petzer, 2011. The relationship between service quality and behavioral intentions was found to be mediated by customer satisfaction. This mediation effect of customer satisfaction is also reported by Cronin and Taylor (1992), Dabholkar et al. (2000), and Caruana (2002) Thus, banks by consistently delivering high quality service; will have a pool of satisfied customers and, increase profitability by more consumption of its product and services. This can help bank not only survive but also grow in ever competitive retail banking sector.

Additionally, the demographic characteristics of retail bank customers influenced the perceived service quality, satisfaction and behavioral intentions. This variation in perceived service quality, customer satisfaction and behavioral intentions is consistent with the findings of Mittal and Kamakura (2000). In particular, the young customers below 25 years and low income group customers have
experienced less satisfaction with their banks. Furthermore, female customers exhibited less satisfaction than male customers with the banks.

The effect of gender on perceived service quality was also found by Zalatar (2012) in the context of Philippine Commercial Banks. The difference in perceived service quality of females and males was attributed to different relative importance attached to different dimensions of service quality. Further, customer satisfaction and behavioral intentions were both found to be affected by service quality and hence, were found to differ significantly in male and female customers.

Many of the studies reported tangibles as not a significant driver of customer satisfaction in the context of retail banking (Ahmad and Naser, 2002; Zhou, 2004, Ravichandran et al., 2010). This study, however, found tangibles affect service quality significantly in the context of retail banking. Though, the tendency to use self-service channels such as ATMs, internet banking and mobile banking among customers has significantly increased, the retail bank customers still regularly use branch banking (Mean score of 3.35 on the scale of 5 with 1-rarely used to 5-Always used) and their experience with branch banking contribute to satisfaction. Thus, tangibles dimension associated with the banking have found to influence customer satisfaction.

Though, mediation effect of customer satisfaction was found earlier, the study underscores the strength of this effect in the context of retail banking. This finding suggests that bank managers should consider service quality as well as customer satisfaction while devising service strategies.
5.2 Implications

The study provides strong empirical support to multi-dimensional nature of perceived service quality in the context of retail banking. These dimensions provide understanding the aspects of service which contribute to customer satisfaction and also enhance customer patronage. The bank managers must take into account these aspects while designing service strategies.

Following recommendations are made on the basis of the findings of the study:-

1. The most important aspect for retail banking to enhance customers’ perception of service quality is the presence of an efficient delivery mechanism. Service should be delivered promptly and reliably.

2. The services should be performed within specified time. The waiting time should be kept at minimum possible level and customers should be informed about the exact timing of the delivery of the service.

3. The technology should be leveraged to improve efficiency of service delivery providing the services to customers in safe, secure, prompt and cost effective manner.

4. Since the nature of the business offers limited scope for banks to differentiate on products, the service should be delivered wherever and whenever customer demands.

5. The banks should strive to build customer-oriented, service-minded workforce by not only screening employees for their service competencies but also for their service orientation. The selection process must assess the employees for positive attitude towards service rather than only specific skill sets.

6. The empathy dimension of service quality implies that employees pay attention, listen, adapt and flexible in accommodating
customers need. The training programs should be organized for building interactive skills that enable employees to provide courteous, caring, responsive and empathetic service. The training programs can include topics such as how to develop rapport with customers, how to engage in pleasant conversation, ask questions, or use humor while interacting with customers. Thus, banks must invest in soft skill training of customer contact employees. 

7. The banks should measure perceptions of their employees towards its service as internal service quality and invite suggestions from employees to make improvements.

8. The banks should invest in creating facilities which communicate positive image of banks and facilitate smooth interactions between service employees and customers.

9. The bank should design and maintain its branches for pleasant service experience. The infrastructure should provide for easy access for banking services and separate area to facilitate discussions between bankers and clients.

10. Customers today use multiple channels for consumption of banking services such as ATMs, Internet and Mobile phones in addition to typical brick-and-mortar model. The bank must ensure consistently good customer experiences across these channels.

11. The banks should invest into data analytics and assess what are the appropriate products and services for the specific groups of their customers, in particular salary account holders as they are likely to use banking services for long time providing opportunities for up-sell and cross-sell.

12. The individual needs of the customers should be rightly identified and catered to in case of assets products such as home loans, personal loans and car loans. Such products are selected for the attribute it offered more than the brand of the service provider.
13. The banks should listen to customers belonging to low income group, young and females as they offer scope for improving service quality perceptions and understand their specific banking needs. The young customers below 25 years, especially, offer great opportunity for banks to create a pool of satisfied customers who would patronage bank for a long time.

14. The bank must conduct customer satisfaction survey at regular intervals to monitor customer satisfaction and take necessary actions as customer satisfaction significantly influences patronage intent.

5.3 Scope for Further Research

This research identified the dimensions contributing to the perceptions of retail bank service quality. The study further assessed the interrelationships between three construct- service quality, customer satisfaction and behavioral intentions. These findings are based on the cross sectional data collected at one time. However, as customers use service over a period of time, their experiences with service affect their expectations, which, in turn, affect their satisfaction. Thus, the longitudinal research focusing on dynamic interactions of these constructs over time is needed to define the exact causal link of these constructs. The study measured service quality using SERVQUAL which is general in nature. There is a need to develop context specific retail banking service quality model to account for dynamic retail banking environment. The strong linkage between overall customer satisfaction and behavioral intentions calls for measuring the impact of transaction specific customer satisfaction on behavioral intentions. In addition to service quality, more antecedents of customer satisfaction can be included in the present study. The study may be extended to institutional customers. There is also
greater need to develop Indian customer satisfaction index. The effect of demographic variables on service quality, customer satisfaction and behavioral intentions could be studied in greater depth to identify specific banking requirements of various groups, how service quality perceptions are formed; and whether different dimensions are given more importance while forming quality perceptions. The causes of variances of customer satisfaction and behavioral intentions among demographic retail bank customer groups apart from different service quality perceptions can also be looked into.

5.4 Chapter Scheme

CHAPTER ONE: INTRODUCTION

The chapter introduces the reader to the background of the study. The chapter discusses need, significance, scope, area and limitations of the study. It sets the foundation for the process.

CHAPTER TWO: REVIEW OF RELATED RESEARCH

This chapter presents the essence of the extant literature relevant to the study. The chapter discusses the different views on conceptualization of service quality and customer satisfaction. Additionally, the different perspectives put forth by researchers on the relationships between three constructs service quality, customer satisfaction and behavioral intentions are presented. The research gaps in the extant literature are further identified. The model is proposed and relevant hypotheses are formed based on the research gaps.
CHAPTER THREE: RESEARCH METHODOLOGY

This chapter covers the various aspects associated with the approach used to address the research problem. The chapter includes Research Design, Sampling design, data collection process and Data analysis tools. Research Design dealt with the type of study used for the present study and described the process of scale development. Sampling design explained the sampling methods used; rationale for using the method and sample size used in the study. Data collection method elucidated the method used for data collection and rationale used for choice of the method. Data analysis section explained the different statistical tools like exploratory factor analysis, confirmatory factor analysis, structured equation modeling, ANOVA, Kruskal Wallis H Test and T-test used for testing hypotheses.

CHAPTER FOUR: RESULTS AND FINDINGS

The chapter presents the various results of statistical techniques used to analyze the data. The data was analyzed using Statistical package for Social Sciences 19 and AMOS 23.

CHAPTER FIVE: DISCUSSION AND CONCLUSIONS

The chapter discusses the results and findings of the study and presents conclusions drawn from the study. Furthermore, the recommendations are made based on the findings to help bank managers in designing service strategies. The chapter culminates with scope for the future research.