Perspectives on Service Quality Dimensions and Customer Satisfaction in the Nigerian Banking Industry

Abodunde Modupe [a*]

[a] *Joseph Ayo Babalola University, Nigeria.*

Author's contribution

The sole author designed, analyzed, interpreted and prepared the manuscript.

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ABSTRACT

Customer satisfaction is a critical success factor in the service industry. It is an essential marketing concept that is critical in different sectors in the manufacturing and service industries. Customer satisfaction is a measure of how products offered by a company meet or exceed customer expectations. Focusing on and satisfying the needs of customers are very important for the survival and continued existence of service firms especially banking services. The purpose of this study is to examine the extant literature on the relationship between service quality dimensions and customer satisfaction as it applies to the Nigerian banking industry. In order to provide a theoretical footing, this study adopted the Expectation-confirmation theory (ECT). The basis for this adoption is that the Expectation-confirmation theory (ECT) explains post-purchase or post-adoption satisfaction as a function of expectations, perceived performance, and disconfirmation of beliefs. The study clearly shows that service quality dimensions play an important role as a driver for higher customer satisfaction level. Therefore, managers in the banking industry are advised to give more attention to the five (5) service quality dimensions namely: tangibility, reliability, responsiveness, assurance and empathy. These five service quality dimensions can be major influencers of customer satisfaction in the banking industry.

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*Corresponding author: E-mail: diiabod1@gmail.com;

1. INTRODUCTION

Marketing processes and activities are aimed at attracting, satisfying, and retaining customers. These can only be achieved with excellent customer service or service quality. Service quality discourse has attracted the attention of practitioners and academicians over the years, however, mostly in the manufacturing sector. However, quality for business performance in the service sector is equally important. Serviced quality is crucial in any business as it helps to create a bond between the organisation and its clients. It has been established that high quality service offers benefits such as: improved corporate image, enhanced customer satisfaction, cross-selling opportunities, decreased customer switching, improved chances of word-of-mouth recommendation, and maintenance of positive long-term customer relationships [1,2].

Customer Satisfaction is an essential marketing concept that is practiced across diverse sectors of manufacturing and service industries. It is a measure of how products or services offered by a company meet or exceed customer expectations. Research in customer satisfaction is fast becoming popular in service marketing in recent years, as a means of advancing business performance and leveraging competitive advantages, because customers derive their perception of performance of performances of service quality on the levels of satisfaction they experience with a particular firm. Businesses therefore need to be able to satisfy customers and meet their expectations of service quality to gain a competitive advantage [3,4,5].

Management in the Banking industry usually train their staff on the essential attributes of their company's services with a view to satisfy their customers and clients. Staff orientation in this direction is very essential, as a result of the growing demands for banking services and constant requests by customers for higher standards. It is vital that every banker treats the customer with a sense of professionalism while providing him with an efficient service during a service encounter. The intangible characteristics of service and the need to satisfy consumers makes this study a necessity given the peculiarities of the banking industry. It has been noted in existing literature that customer service has a positive effect on customer satisfaction, however, with the advances in technology in the banking industry and the changing needs of financial services customers, it is important to revisit, explore and highlight the variables that constitute service quality in the determination of customer satisfaction in the Nigerian banking industry.

2. OBJECTIVE AND METHODOLOGY

This study, adopting a desk review of literature, therefore, seeks to explore extant literature on the relationship between service quality dimensions and customer satisfaction; in order to lay a foundation for further empirical studies into current issues on service quality dimensions and customer satisfaction as it applies to the Nigerian banking industry.

The remainder of this paper, drawing on existing literature, is structured as follows: Section three provides a conceptual clarification on service quality and customer satisfaction also offers discourse on the SERVQUAL scale (service quality scale) in assessing customer expectations and perception of performance of service quality; Section four briefly discusses the Expectation-Confirmation theory of customer satisfaction and also proposed a conceptual model of Service quality and Customer satisfaction. The study is concluded with recommendations in section five.

3. SERVICE QUALITY AND CUSTOMER SATISFACTION: ASSESSING CUSTOMER EXPECTATIONS AND PERCEPTION OF PERFORMANCE OF PERFORMANCES OF SERVICE QUALITY

Service is an intangible product offered for sale to customers. The quality of service varies from one organisation to another; and from individual employee providing service to another. It can be rendered by any business whose main aim is to meet or satisfy customer or client needs. Kotler [6] defines service as an act or performance that one party can offer to another that is mostly intangible and does not result in transfer of ownership. Unlike goods that are purchased definitely by means of transfer of ownership, services do not reflect the transfer of ownership, but the use of the service for the duration paid by the customer.

3.1 Characteristics of Service

There are some basic characteristics of service in marketing discipline. They are; intangibility,

inseparability, heterogeneity, perishability, User participation and lack of ownership. These characteristics justified the case for services marketing as a distinct field of marketing from the marketing of goods [7,4]. *Intangibility;* refers to the untouchable nature of service marketing. It describes the transient immateriality of services. As such, consumers of services cannot touch or hold the actual service paid for. *Inseparability* refers to the simultaneous production and consumption of services. This implies that the customer is present when the service is produced and that the customer plays a significant role in the delivery process. Usually, customers interact with one another during service delivery and their decisions on satisfaction may be influenced by this interaction. However, with the advent of technology in the banking industry, inseparability has been reduced.

In addition, *Heterogeneity* refers to the potential for high variability in the performance and the quality of services, caused by the exchange between the service employee and the customer. The performance of the employees delivering services may vary between different times of the day, from employee to employee or from a service company to another. However, heterogeneity is peculiar with labour-intensive and high-contact services and less visible in technology-based services as being observed in the banking industry. *Perishability* implies that services cannot be saved, stored, resold or returned. It is difficult to synchronise the supply and demand for services.

3.2 Service Quality

Service quality can also be described as a competitive strategy and means of differentiating between similar alternative offerings in the market place. It is a way of making success among competing brands, especially in businesses that offer nearly identical services where establishing quality standards may be the only way of differentiation. Service quality involves an assessment of how well a delivered service conforms to the client's expectations. Service firms often assess the service quality provided to their customers in order to improve their service, identify problems, and assess client's satisfaction [8]. Service quality is a vital requirement in every field. In terms of industrial growth, quality plays an important role and so should be understood and adequately conceptualised.

In competitive and disruptive business environment, service quality is very significant in attracting and retaining customers. How satisfied the customers are with important service elements determines the level of service quality. Service quality is the overall judgment or opinion of the customers or clients about their satisfaction or otherwise of the services rendered. Thus marketers need to continually assess customers' expectations of service quality to avoid customer dissatisfaction. Many empirical studies have identified quality as an antecedent of customer satisfaction [9,10,11].

3.3 Customer Satisfaction

Customer satisfaction is a marketing philosophy used in all sectors of both manufacturing and services industries to measure how products or services supplied by a company or an enterprise meet or exceed customer's expectations. Recent research effort shows that customer satisfaction studies are becoming popular in the service marketing sub discipline as a strategy or means of boosting business performance and leveraging competitive advantages. It is the evaluation of product service in terms of whether it has met a need or want in terms of service quality, prices, situational factors, and personal variables [3,12,13].

A review of literature reveals that customer satisfaction popularity is inherent in its potency in providing managers with a metric that can be used to manage or improve their businesses. There are different views on the meaning and concept of customer satisfaction. Customer satisfaction can be defined in various situations that are associated with goods and services. Customer satisfaction is feeling or attitude toward a product or service after its use. Customer satisfaction is the result of between marketing activities that acts as a communication bridge between different stages of consumer buying behavior. Customer satisfaction is the result of a comparison between customer purchase of the expected performance with actual performance and perceived and payment expenses [14]. Customer satisfaction is a physical concept that is due personal comparison from understanding of product performance with the experience obtained of the performance [15]. There is direct relationship between customer satisfaction and willingness to loyalty to the company. Whatever close relationship with the customer company's employees is greater, thus will be customer satisfaction to the company and strong relationships customers and corporate

employees who are more satisfied than other people [16]. Understanding customer satisfaction in the organization should be considered as a major issue. As part of this strategy, product definition and service and the needs of customer and prepare a list of data and customer complaints and the selection of process is important. Basic questions include: What do we provide product or service? Who are our customers? What do they want and need? Is it measurable? What is needed to improve the process? By answers to these questions will have a better understanding of customer continuously and products and services to adapt to market needs would be better [17]. Customer satisfaction is increasingly as basis of standard performance for any business organization and whatever organization has more satisfied customers and increase the purchase rate and reduces the desire for change [18]. Customer satisfaction is something beyond a positive impact on efforts done in the organization. This not only makes the activity staff, but is considered a source of profit for the company. Customer satisfaction provides many benefits for companies and higher levels of customer satisfaction leads to loyalty. Therefore, customer satisfaction may be described as the emotional response that people feel after purchasing from a firm. The more positive the level of customer satisfaction is; the more likely consumers purchase from the firm, engage in repeat purchases and also recommend that company to others.

3.4 Customer Expectations and Perception of Performance of Performances of Service Quality

Customers are interested in using the different services offered to them by service providers to optimise their satisfaction. However, delivered service can only become quality service if it meets the customer's expectations. The expectation of the customer depends upon the customer's perception of performance of service quality, which may differ from person to person.

The primary factors that affect the customer's perception of performance of service, it show when we speak from customer's perception of performance is assumed; dimensions of services and practices of assessing customers exposures is similar, whether evaluator be internal or external customer of the organization. Four main factors affecting customer perception of performances from service include: service encounter, or moments of truth, the evidence of

service and image price (Bahadoran, 2008). Customers have certain expectations about the service. If the customer experience the same service as they expect then there will be no difference and we can say that the service quality is very good. However, the higher the difference of the below equation, the lower the service quality [4].

Service quality has also been related to customer behavioural intentions and antecedent of customer's satisfaction. Customers who are satisfied with the perceived service quality will have a favourable emotional response because customer's judgment of a product or service would produce a pleasurable level of fulfillment i.e. customer's satisfaction directly affects behavioural intentions of repurchases and word of mouth referrals [19,20,4]. Customer perception of performance is influenced by various factors, which may result in change in service quality expectation as well. Such factors include: age, gender, occupation, global competition & technological changes. The perception of performance of the younger generation of service quality could be different from the older one. Similarly, a working corporate professional perception of performance could be different from an entrepreneur or from a servant. Therefore, perception of performance should be taken into consideration by service providers to meet the customer requirements.

3.4.1 Service peculiarities in the nigerian banking industry

The relationship between service quality and customer satisfaction has been observed by many researchers in different industries. Banking industry is a vital to the growth and development of the Nigerian economy, as it is in all economies. A bank is an establishment that provides financial services such as loans and deposits, advisory, funds transfer etc. To be successful in the banking industry, management need to improve on their service quality to the customer. In order to emphasis the importance of customer service in the Nigerian banking industry, there are desk officers that are dedicated to customer service in all Nigerian banks.

With the advent of modern technology, the service peculiarities in the industry in terms of deliverables are constantly shifting or changing. Customers today are encouraged to use online alternatives in order to solve their service related challenges. Online services such as internet

banking, mobile banking, banking applications, unstructured supplementary service data - USSD codes and third party services such as mobile money agents abound. Hence, managers are required to also move with the technological tides in other to maintain relevance in the market.

3.5 Servqual Scale

Assessing customer expectations and perception of performances of service quality requires an understanding of customers' relationship with the service provider (Parasuraman, Zeithaml, & Berry, 1988; Zeithaml & Bitner, 2009). Thus, according to Zeithaml and Bitner [21], "*a sound measure of service quality is necessary for identifying the aspects of service needing performance improvement, assessing how much improvement needed on each aspect, and evaluating the impact of improvement on efforts.*" East [22,23], argues that service quality (SERVQUAL) measures service quality through customers' expectations i.e. what firms should provide in the industry under study, and their perception of performances of how a given service provider performs against these criteria. The SERVQUAL scale was used to show the relationship that exists between service quality and customer satisfaction.

The scale is a survey containing five service quality dimensions [21], which are further subdivided into different topical areas. The service-quality dimensions used in the SERVQUAL model are: *Tangibles* - which refers to appearance of physical facilities, equipment, personnel, written materials and the appearance of the physical surroundings; *Reliability* - which is the ability to perform the promised service both dependably and accurately; *Responsiveness* – which is the willingness to help customers and provide prompt service; *Assurance* – which refers to employees knowledge and courtesy of employees and their ability to inspire trust and confidence and *Empathy*, which refers to caring, individualized attention given to customers by the company.

The level of service quality is determined by subtracting the average score obtained from the expectations section from that obtained from the perception of performances section. The calculated difference between the expectations and perception of performance ratings constitutes a quantified measure of service quality [5]. The SERVQUAL scale has been used by many organisations and researchers, with adaptations to suit the research context. It is most valuable when it is used intermittently to track service quality trends, and when it is used together with other forms of service quality measurement. It also assists in pinpointing areas that requires managerial attention and action to improve service quality while stimulating empirical research focusing on service quality and its antecedents and consequences.

4. EXPECTATION-CONFIRMATION THEORY OF CUSTOMERS SATISFAC-TION

In order to provide a theoretical footing, this study adopted the Expectation-confirmation theory (ECT) by Jiang and Klein (2012). The basis for this adoption is that the Expectation-confirmation theory (ECT) is a cognitive theory which seeks to explain post-purchase or post-adoption satisfaction as a function of expectations, perceived performance, and disconfirmation of beliefs. Expectation confirmation theory involves four primary constructs: expectations, perceived performance, disconfirmation of beliefs, and post purchase or adoption satisfaction. Expectation confirmation theory posits that satisfaction is directly influenced by disconfirmation of beliefs and perceived performance, and is indirectly influenced by both expectations and perceived performance using meditational relationship which passes through the disconfirmation constructs

(i) *Expectation*: this refers to the attributes or characteristics that a person anticipates or predicts will be associated with a product or service. Expectations are hypothesised to directly influence perception of performances of performance and disconfirmation of belief systems, and are likely to indirectly influence post-purchase or post-adoption satisfaction.

(ii) *Perceived performance*: this refers to a person's perception of performances of the actual performance of a product or service. According to expectation-confirmation theory, pre-purchased expectations directly influence pre-adoption expectations, and in turn disconfirmation of beliefs and post-purchase or post-adoption satisfaction. Perceived performance indirectly influence post-purchase or post-adoption satisfaction by way of a meditational relationship through the disconfirmation construct.

(iii) *Disconfirmation of beliefs*: this refers to the judgments or evaluations that a person makes concerning a product or service. These evaluations or judgments are made in comparison to the person's original expectations. When a product or service outperforms the person's original expectations, the disconfirmation is positive, which is posited to increase post-purchase or post-adoption satisfaction. When a product or service underperforms the person's initial expectations, the disconfirmation is negative, which is posited to decrease post-purchase or post-adoption satisfaction (that is, to increase dissatisfaction).

(iv) *Post-purchase or post-adoption satisfaction*: This refers to the extent to which a person is pleased or contented with a product or service after having gained direct experience with the product or service.

4.1 Proposed Conceptual Model of Service Quality and Customer Satisfaction

This study proposes the conceptual model demonstrated below based on extant literature concepts and theories in defining and explaining the relationship between service quality and customer satisfaction in the Nigerian Banking Industry. The framework consists of two variables out of which one is independent variable and the other one dependent variable. The independent variable in this model id service quality, which consists of the five quality dimensions. These variables may be jointly used to determine the service quality offered by banks in Nigeria. The dependent variable in this study is customer satisfaction. The measurement of satisfaction of customers is in terms of customer expectation and customer perception of performance of performance.
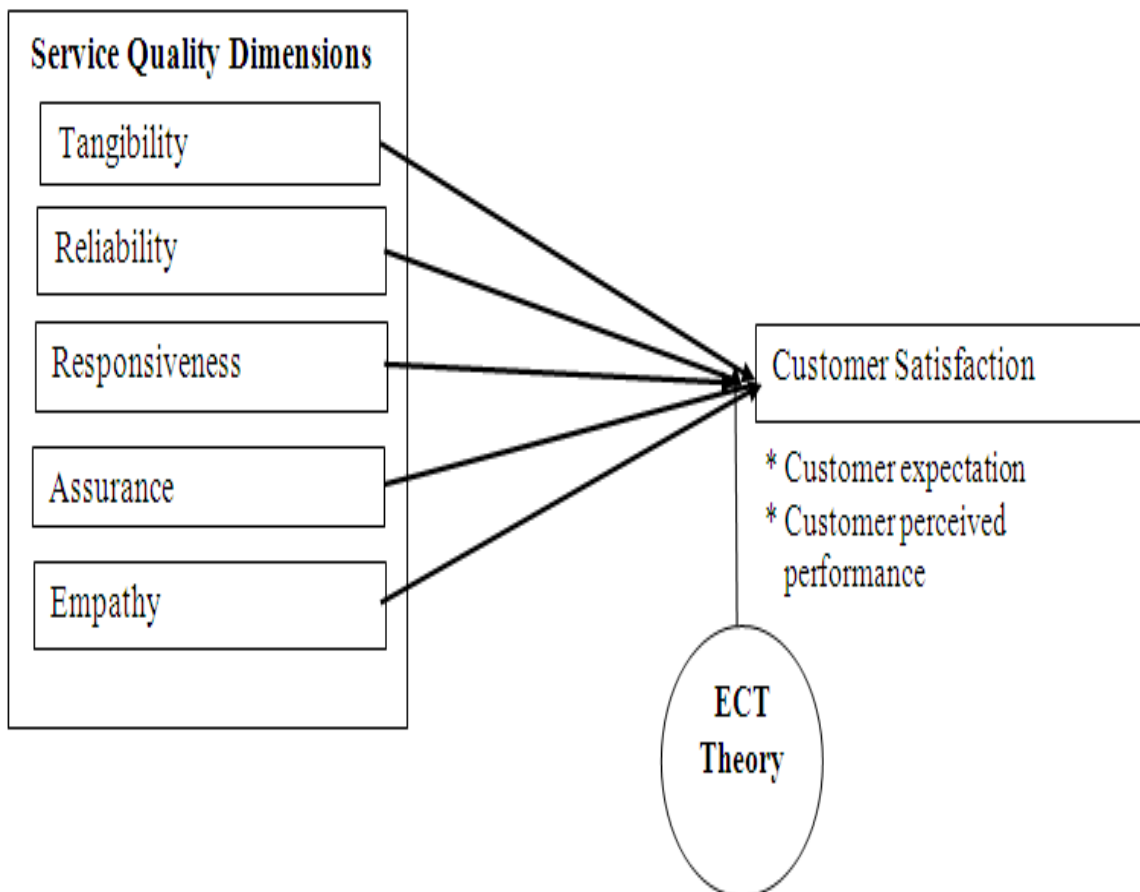

Fig. 1. Conceptual Model of Service Quality and Customer Satisfaction
Source: Researcher's conceptualisation (2021)

5. CONCLUSION AND RECOMMENDATION

The study clearly shows that service quality dimensions plays an important role as a driver for higher customer satisfaction level. Therefore, managers in the banking industry are advised to give more attention to the five (5) service quality dimensions namely: tangibility, reliability, responsiveness, assurance and empathy. These five service quality dimensions are seen, in existing literature, as the major influencers of customer satisfaction. It is recommended that further empirical research should be carry out on the effect of each of the dimensions in the banking industry in Nigeria.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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