IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION; A STUDY OF COMMERCIAL BANKS IN THE NUWARA ELIYA DISTRICT

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The increasing trend of competitive environment in the banking industry of the country attracted banks to offer banking services expected by the customers more than before. Banking in Sri Lanka has undergone phenomenal reforms during the recent past and this has changed the face of the industry making it more competitive, market and customer oriented. This study is conducted to identify the service quality gaps between the customer's expectations and perceived service quality which is the difference between the predicted and the actual experiences the customer received from the Banks in the Nuwara Eliya district. This research was conducted among selected commercial banks namely People's bank, Bank of Ceylon, Hatton National Bank, Commercial Bank and Seylan Bank operating in the Nuwara Eliya city limit. A sample of 300 customers were selected randomly from the above bank's customer bases. The SERVQUAL model was used to evaluate the service quality gap and a 34 point questionnaire has been prepared using a five point Likert scale and demographic base questions. Data analysis was done using descriptive analysis and hypothesis tests. Mann-Whitney confidence interval test, Kruskal-Wallis test and Correlation Analysis were used as statistical tools. The major findings of this research is that the customer's service quality expectations are greater than the perceived service quality of the selected banks in the Nuwara Eliya District. Further there is evidence to infer that the mean values of the expected and the perceived service quality variables differ in influencing the bank's service quality. The element called reliability had the largest service quality gap in the sample. Correlation analysis shows the service quality and five dimensions namely Tangibility, reliability, responsiveness, assurance and empathy have significant impacts on customer satisfaction. Having spent millions for staff training, development, physical facilities, recruiting, advertising, the ultimate satisfaction of the customers is not up to expectation. Change in staff attitudes to become more customer friendly, creating a learning culture, improving the internal service processes, procedures and removing communication barriers are the major factors that would help to increase the customer satisfaction. Finally this study implies that banks should re-think about their strategies and realize reduce the service gap in order to deliver superior quality of service to attract more customers.

Keywords: Banks, Service Quality, SERVQUAL Model