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# The Service Quality and Customer Satisfaction in Banking Sector

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**ABSTRACT:** This research examines how service quality impacts customer satisfaction within the competitive banking industry. Given the sector's intense competition and growing focus on customer-centric strategies, service quality plays a pivotal role by significantly influencing customer happiness, loyalty, and retention. This study employs a mixed-methods approach, integrating qualitative interviews and quantitative surveys to explore bank customers' perceptions of service quality dimensions such as reliability, responsiveness, assurance, empathy, and tangibles.

**KEYWORDS:** Banking industry, Digital banking, Customer satisfaction, Service quality.

## I.INTRODUCTION

During the sweaty years since independence, the banking sector has seen major changes and has undoubtedly come a long way from the nationalization and privatisation that occurred in 1997. The country's banking sector has seen major changes over the last two decades, with technology playing a key role in this development. ATMs, Internet Banking, Credit Cards, and now Mobile Banking have contributed to transforming the country's banking scene.1 Old conceptions, attitudes, and practices in banking have given way to new tactics of viability, need-based finance, and marketing. Instead of simply following the trend into instantly profitable projects, banks must participate in nation-building activities and contribute to socioeconomic transformation.

## II.ORIGIN OF THE WORD BANK

There is disagreement among economists regarding the origin of the word "Bank." Some authors suggest that the term "Bank" derives from "Bancas" or "Banque," which originally meant a bench. Early bankers, such as the Jews in Lombardy, conducted their business on benches in marketplaces. When a banker failed, the people would dismantle his bench, known as his "Banco," leading to the term "Bankrupt."

## III.STATEMENT OF THE PROBLEM

In recent years, the banking industry has experienced increased competition and technological improvements, increasing the emphasis on service quality and client happiness. Despite repeated efforts by banks to improve these areas, there is still a vacuum in understanding the particular characteristics that have a substantial impact on customer satisfaction in terms of service quality. The purpose of this study is to identify and analyse the important factors of service quality in the banking sector, as well as their impact on customer satisfaction. By addressing this gap, the research aims to give useful insights that can help banks improve their service delivery strategies and, as a result, customer happiness.

## IV.OBJECTIVES OF THE STUDY

•      To assess customer awareness of service quality provided by private and public banks.
•      To analyze the factors influencing emotional intelligence and work-life balance.

## V.REVIEW OF LITERATURE

1. Sharma, A., & Malviya, S. (2022). "Examining the Impact of Digital Banking on Customer Satisfaction: Insights from the Indian Banking Sector." International Journal of Bank Marketing,
   - This research explores how digital banking services, including mobile apps and online banking, influence customer satisfaction. It underscores the significance of user-friendly interfaces, convenience, and robust security features.

2. Rajput, N., & Gupta, M. (2022). "A Comparative Study of Service Quality in Public and Private Sector Banks: Utilizing the SERVQUAL Model." Journal of Financial Services Marketing,
   - This study compares service quality between public and private sector banks in India using the SERVQUAL model, examining factors such as reliability, responsiveness, assurance, empathy, and tangibles.

## VI.RESEARCH METHODOLOGY

Employee morale is the foundation for positive industrial relations. Research gaps assist management in measuring employees' reactions to their work environment and implementing appropriate strategies to enhance their morale. One of the key goals of industrial psychology is to recommend ways and techniques of boosting worker happiness with his employment. However, it is vital to understand what the worker expects from his or her employment and the objects for which he or she works.

**SIZE OF THE SAMPLE:**
- This study exclusively investigates employee engagement, with a total sample size of 110 respondents.

**TOOLS USED:**
The Tools used in the Study,
- Simple percentage analysis
- Factor analysis
- Correlation

**PROFILE OF THE RESPONDENTS:**

**Table 1: profile of the respondents**

| Details of the respondents | | No. of Respondents | Percentage |
|---|---|---|---|
| **Gender** | Male | 65 | 59.1 |
| | Female | 45 | 40.9 |
| | **Total** | **110** | **100** |
| **Age Group (in Years)** | 18-25 | 25 | 22.7 |
| | 26-35 | 38 | 34.5 |
| | 36-45 | 25 | 22.7 |
| | Above 45 | 22 | 20 |
| | **Total** | **110** | **100** |
| **Educational Qualification** | High School or below | 25 | 22.7 |
| | Bachelor's Degree | 25 | 22.7 |
| | Master degree | 47 | 42.7 |
| | Doctorate or Professional Degree | 13 | 11.8 |
| | **Total** | **110** | **100** |

The respondents who participated in the survey are male to a greater extent. 59 percentage male and 41 percentage respondents participated. More respondents (34percentage) are of the age group 26 years to 35 years. This is followed by the age group of 18 years to 25 years & 36 years to 40 years (27 percent) and above 45 years (20 percent). Majority of the respondents are married (52 percentage). 42% of the respondents belong to master degree. 22% of the

respondents belong to bachelor degree and high school or below. 12% of the respondents belong to doctorate or professional degree.

**CORRELATION:**
   X= PRIVATE BANK
   Y= QUALITY

To interpret the correlation between private bank (X) and the quality (Y), we observe a correlation coefficient of 0.001637. This indicates a moderate positive correlation, suggesting that as private bank increases, the quality tends to improve. However, the correlation is not very strong, implying that other factors might also significantly influence the quality received.

**FACTOR ANALYSIS:     Table 2: KMO and Bartlett's Test for Expectations of Policy Holders**

| KMO and Bartlett's Test | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .350 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 320.817 |
| | df | 45 |
| | Sig. | .000 |

Sampling adequacy is sufficient to interpret the results of factor analysis as the Kaiser-Meyer-Olkin (KMO) measure is above 0.45. The Chi-square test value of Bartlett's Test of Sphericity is significant enough as the significance value is 0.000 which is lesser than 0.05 at 5 percent level of significance. Factors derived with principal component method with their squared loadings are presented in total variance explained table.

| Total Variance Explained | | | | | | |
|---|---|---|---|---|---|---|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 2.900 | 29.004 | 29.004 | 2.900 | 29.004 | 29.004 |
| 2 | 2.336 | 23.364 | 52.368 | 2.336 | 23.364 | 52.368 |
| 3 | 1.827 | 18.271 | 70.639 | 1.827 | 18.271 | 70.639 |
| 4 | 1.165 | 11.649 | 82.289 | 1.165 | 11.649 | 82.289 |
| 5 | .722 | 7.224 | 89.513 | | | |
| 6 | .413 | 4.128 | 93.641 | | | |
| 7 | .311 | 3.111 | 96.752 | | | |
| 8 | .214 | 2.138 | 98.890 | | | |
| 9 | .074 | .743 | 99.633 | | | |
| 10 | .037 | .367 | 100.000 | | | |

| QUALITY | PRIVATE BANK | | |
|---|---|---|---|
| 22 | 25 | | |
| 25 | 35 | | |
| 18 | 20 | | |
| 28 | 15 | | |
| 17 | 15 | | |
| | | *QUALITY* | *PRIVATE BANK* |
| | QUALITY | 1 | 0.25776963 |
| | PRIVATE BANK | 0.25776963 | 1 |

Total variance explained table explains that 11 factors are extracted as important from the 15 variables identified. The

| Total Variance Explained | | | |
|---|---|---|---|
| Component | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % |
| 1 | 2.448 | 24.484 | 24.484 |
| 2 | 1.945 | 19.455 | 43.939 |
| 3 | 1.923 | 19.231 | 63.169 |
| 4 | 1.912 | 19.119 | 82.289 |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |

explanatory power of these variables to understand the positive workplace culture of the respondents is to the extent of 61.628 percent. The factors identified are extracted by Varimax rotation and explained with the help of rotated component matrix.

| Rotated Component Matrix[a] | | | | |
|---|---|---|---|---|
| | Component | | | |
| | 1 | 2 | 3 | 4 |
| Reliability | .910 | | | |
| Digital banking | .789 | | | |
| Product offerings | .773 | | | |
| Complaint handling | | .915 | | |
| Convenience | | .874 | | |
| security | | | -.780 | |
| Availability | | | .703 | |
| Service quality | | | .675 | |
| Customer service | | | | .926 |
| Technology | | | | .779 |

The factors extracted are identified with the loadings (above 0.8) irrespective of sign and are listed below in the order of extraction.

The KMO value of 0.45 suggests mediocre sampling adequacy, while Bartlett's test (p=0.000) indicates the correlations are not sufficiently large for PCA. The communalities show moderate extraction values, indicating variable contributions to factors. Four principal components explain 82.28% of the variance, with key variables loading distinctly on each component, highlighting diverse aspects of the training and guidance effectiveness.

**VII.CONCLUSION**

To summarise, the banking sector must prioritise ongoing improvement in service quality in order to preserve and improve client happiness. Banks may achieve higher levels of customer loyalty and satisfaction by resolving service delivery gaps, investing in technology, improving staff competency, and adopting a client-centric approach, which will eventually drive long-term growth.

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