



The Impact of Quality of Banking Services on the Customer Satisfaction in Small and Medium Banks

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ABSTRACT

The study aims to test the nature of the association between the quality of banking services and its role in achieving customer satisfaction. This study tested the quality of banking services in south Asian countries and identified the various relative importance's representing the quality of banking services. The study included a purposive sample of commercial banks from 139 individual banks, and the study used statistical software STATA to analyse the results. The results presented that there is a positive and important association among the quality of banking services and customer satisfaction. As a result of these challenges, it has become necessary for banking organizations to take into account the philosophy of customer satisfaction, which provides them with a competitive advantage that contributes to achieving high level of profitability.

Keywords: Quality of Banking Services, Customer Satisfaction, Small and Medium Banks

1. INTRODUCTION

In light of the rapid developments witnessed by banking administration, which has become characterized by creativity and research in all fields, banking administration finds itself facing global openness and globalization, which leads to increased competition resulting from rapid development and increased customer awareness of the type and quality of service provided. In order to grow and advance, the quality of services and achieving “customer satisfaction has become a concern for the service institution, as customer satisfaction has become the focus of its attention, research and identification of the needs and expectations of the customer” and providing a service that achieves his satisfaction, and the technology and information revolution has allowed the customer to be able to distinguish among services as per his requirements and selections (Dangaiso et al., 2024). This is what made banks adopt modern concepts of service quality to ensure competitive advantage and provide banking services in an efficient and distinguished way to survive and continue the banks’ activities to gain the satisfaction of their customers, which leads them to be interested in innovating ways and methods to gain their satisfaction and achieve the goals and strategy of the bank to remain in the market and try. On customer satisfaction by providing high-quality services in order to convey awareness of the bank’s services, which leads to marketing and encouraging these services to attract customers and increase the bank’s profitability (Sathiyavany & Shivany, 2018). Based on the above, this research aims to highlight and evaluate banking institutions and know the quality of financial services and the extent of their influence on customer satisfaction in light of the great competition between banking institutions. Medium and small Asian banks were chosen as a sample for the study.

In view of modern changes and the development taking place in marketing thought, which has greatly contributed to increasing production awareness, producing high-quality services that enable achieving customer satisfaction constitutes a challenge for banking institutions. Therefore, the “quality of banking service” is a condition and a valuable factor for gaining and maintaining customer satisfaction. This quality was high and provided an opportunity for the bank to maintain its current customers, gain new customers, achieve their satisfaction, and thus achieve excellence in the market and maintain its competitiveness and profitability (Torabi & Bélanger, 2021).

This study is based on one of the subjects of high significance in the field of banking, which is the topic of measuring the influence of the quality of “banking services on customer satisfaction” in Asia. Banks in South Asia measuring the influence of the “quality of banking services” enable the administration of those banks to know their “competitive position”. In the Asian banking environment, so that they can change up and improve the quality of their banking services, thus achieving the goals of stability and continuity. Through this study aim to shed light on the view of banking marketing in overall, and to study the banking services provided in banks in the city of Asia in particular, and the quality of their provision, and to know the positive factors and negative factors that affect the provision of banking services with the required quality, and to communicate data that can help bank departments in Asia needs to understand and verify the extent of the bank’s achievement or failure in providing its services at the level of quality essential to attain “customer satisfaction”. This quality must be measured to determine the weaknesses and strengths in the programs, and services it provides to its customers, which enables it to improve the strengths and attempt to overcome the weaknesses.

2. LITERATURE REVIEW AND HYPOTHESIS

The quality of financial services is defined as the satisfaction of customer requirements and the study of the bank's ability to identify and meet these requirements. If the bank adopts a high-quality service delivery process, it should strive to exceed customer requirements (Mbama & Ezepeue, 2018).

Service quality is defined as follows: It is measured by the level of quality providing in relation to the customer's expectations.” Providing a high-quality service ultimately means that the service meets the customer's anticipations (Fayrouz, 2011).

The significance of the banking service quality and the efforts made by researchers in the past in the field of quality have focused on the quality of tangible goods rather than services, focusing on quality in all fields, especially the field of services, but the current prevailing philosophy is due to its importance. “The degree of satisfaction with the quality of service is achieved by comparing what customers expected to receive and what they get after benefiting from the service”. The same field that the customer will be satisfied when he does not get what he receives. What the expected would be unsatisfied. What the expected would be unsatisfied. If received more than what he expected, and this is of course related to the quality of the service, and will be happy with the service provided (UiHaq & Awan, 2020).

Successful bank management must seek to provide the requirements for implementing the dimensions of service quality when providing banking services, and work to motivate employees and push them to work to bridge the gap through good performance, respond quickly to guests' requests, understand the problems they face, identify objections, and provide all appropriate leniency for them, and fulfilment of the promises made to them.

Nayli (2015) study, the "quality of banking services" and its influence on customer satisfaction, a case study of commercial banks. The study aims to determine the relative importance of the various dimensions of the quality of "banking services" from the customer's point of view. The approach followed in the study was to review and analyze the most prominent references that dealt with the topic of the link among "service quality and customer satisfaction". One of the most important results reached in this study was that there was an important relationship with "quality of service and customer satisfaction".

Customers A study by Hager et al., (2016) entitled "the quality of banking services and its impact on customer satisfaction." This study aimed to determine the influence of the quality of modern "banking services on customer satisfaction in the banking sector" of the export development bank. The study concluded many results, the most important of which is that speed of response is the most attractive part in attracting bank customers. There is a moderate direct correlation between both the "customer satisfaction" axis and the quality of banking services.

The influence if service quality on customer titled Vijay. (2012)study satisfaction and loyalty in Indian banking sector the study aims to know the extent of the impact of "service quality on customer satisfaction" and loyalty in the banking sector and the extent to which demographic factors are linked to the dimensions of "service quality". It was conducted interviews with customers of the state bank, five factors were taken into consideration, and the results indicated that there is a link among the dimensions of service quality, customer satisfaction, and customer loyalty (Shonka, 2012). It became clear that demographic factors have a significant impact on responsiveness, reliability, and empathy, and that the performance of service quality at the State Bank has a positive impact on "customer satisfaction" and loyalty (Manyanga et al., 2022). Therefore, this research fills this contribution by investigating this relation. The following is proposed:

H1. The quality of banking service has an importance and positive association with customer satisfaction of Asian small and medium banks.

3. METHODS OF THE STUDY

The current study purposes to determine the influence of quality of banking service on “customer satisfaction” for small and medium Asian banks. The sample used in this study consists of 139 banks, and the STATA program was used for statistical analysis.

The study relied on the descriptive and analytical approach in the theoretical aspect through the theoretical description of the various concepts related to banking service, the “quality of banking service and customer satisfaction”. As for the applied aspect, the statistical approach was relied upon so that it represents the data collection tool adopted in the study through the data base and annual reports.

Customer satisfaction measured by using an online measurement tool such as Questions. Email surveys to customers and send them via short messaging service (SMS), etc. These choices ensure a healthy response rate to surveys because they can be taken wherever, anytime. The quality of banking services “Measured” by utilising “annual reports” an index in “with a scale of 0 to 1, where a score of 0 is for non-information disclosure and 1 for information disclosure”. Profitability measured by utilised the Return on equity (ROE) = calculated by dividing net income by shareholders' equity. The manufacturing measured by utilised 1 indicates manufacturing company and 0 otherwise”. The “regression” model below explains all the variables.

$$CS_{it} = \beta_0 + \beta_1 QBS_{it} + \beta_2 PRO_{it} + \beta_3 MANF_{it} + \varepsilon$$

4. RESULTS

This research purposes to identify the effect of the “quality of banking services on customer satisfaction” in small and medium Asian banks. In order to attain this, the study employed secondary data from the database and annual reports, and Table 1 below shows the statistical description of the “independent variable, the dependent variable”, and the control variables (profitability and manufacturing). The study presented that the mean for the “customer satisfaction” variable is 0.596, the banking services variable is 12.900, profitability is 5.602, and lastly manufacturing is 18.512.

Table 1: Descriptive test

Variable	Obs	Mean	Std. Dev.	Min	Max
Customer Satisfaction	136	0.596	0.302	0.289	0.629
Quality of Banking Service	136	12.900	2.300	0.209	4.877
Profitability	136	5.602	1.099	0.100	11.990
Manufacturing	136	18.512	8.689	1.020	2.102

The study showed in Table 2 that there is a strong and important correlation among “customer satisfaction” and the quality of banking services, and there is also a strong correlation among profitability and manufacturing with customer satisfaction.

Table 2: Correlation Test

Variables	Customer Satisfaction	Quality of Banking Services	Profitability	Manufacturing
Customer Satisfaction	1.000			
Quality of Banking Service	0.199*	1.000		
Profitability	0.821***	0.213**	1.000	
Manufacturing	0.047	0.066	-0.244**	1.000

Table 3: Regression test

Variables	t.stat	sig	VIF
quality of banking services	0.60	0.041**	1.30
Profitability	0.14	0.074*	1.35
Manufacturing	0.18	0.090*	1.52
Constant	0.19	0.22	
n		136	
R2 (%)		42%	
Adjusted R2 (%)		69%	

p-value	0.40		
F-value	0.61		

It is clear from the data in Table 3 that there is a positive and important association among the quality of banking services and “customer satisfaction”. There is also a positive and important association among profitability with “customer satisfaction”. Finally, there is a strong and important association among manufacturing with “customer satisfaction”. The degree of response banks in Asia was between medium and large. There is a statistically important effect of the “quality of banking service on customer satisfaction”.

The findings of testing the hypothesis, utilising the OLS regression analysis, showed that there is an influence and a strong association among the variable of the “quality of banking services” in banks in Asia and the satisfaction of those banks’ customers. This can be clarified by the fact that the “quality of banking service” leaves positive impressions among customers. Considering the role of all of these variables within the OLS regression model, the results of the “statistical analysis” revealed a correlation between the “quality of banking services” and customer satisfaction.

The result of this axis, which indicates a high degree of agreement by members of the study sample regarding “customer satisfaction” statements, can be clarified by the fact that Asian banks are carefully studying consumer behavior in terms of their motivations for obtaining banking services as well as the factors affecting their purchasing decisions, and those who have done so are working on meeting the needs and desires of its customers and providing them with the appropriate service with the required specifications in order to achieve their satisfaction, which helps it maintain its current customers and gain new customers and thus achieve the quality of banking services. There is great interest among researchers in service marketing in the growing globalization in the global services sector, and this is to meet the desires of customers and the organization’s survival in the market, in order to interest the biggest number of customers and achieve their satisfaction by utilising the latest technologies and methods to measure the organization’s performance to meet the needs of customers in an optimal way and ensure their retention. Considering customer satisfaction is an important element and one of the priorities of banks’ strategic goals, banks must pay care to the quality and performance of their financial services and strive to meet customers’ aspirations to gain

their satisfaction. From this, it was decided that there is an influence of the dimensions of financial “service quality on customer satisfaction”.

5. CONCLUSION AND RECOMMENDATIONS

This study found that there is a positive and important link among the quality of banking services and “customer satisfaction”. There is also a positive and important link among profitability and “customer satisfaction”. Finally, there is a strong and important association among manufacturing and customer satisfaction.

In light of the results of the study and to advance and enhance the “quality of banking services” provided by the bank, we recommend that the bank adopt service quality as a strategy of competition and excellence, and that the development and improvement in the quality of services provided by the bank, because the application of the concept of “quality of banking services” requires changes in the culture and way of thinking of the institution. And its objectives and policies, as well as success in improving the quality of its banking services, are necessary because its employees at different administrative levels lack the knowledge of service quality administration and the banking skills necessary for its implementation. They must have the necessary knowledge of the concepts and applications of “quality of banking services” in order to form the necessary conviction to support and implementing the quality strategy.

Work to measure the “quality of banking” service on a regular basis, using various measurement methods. The multiplicity of analysis methods works to enrich the process. The aim of this is to give the bank management an analysis indicator from different aspects, of the development in the level of quality of banking services providing from the point of vision of customers, and thus enable address any deviations. The need for organizations to give greater importance to the customer. Directing its various efforts to satisfy its needs and desires.

Other suggestions include increasing promotional advertisements to introduce the services that the bank provides and the changes that it may bring about. Conducting field research to evaluate customer satisfaction based on modern scientific models to identify deficiencies in the quality of services provided and develops them. The bank must fulfill its promises - providing modern and advanced devices and technologies to serve the customer. Speed in responding to customer inquiries and complaints. In other words, we suggest some topics related to the research topic that could be titles for future research, as follows. This study also

suggests the effect of the “quality of banking services” on the bank’s market share. The association among perceived “service quality and customer satisfaction”. It also suggests showing a comparative study among the quality of banking service in public banks and private banks.

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