

## Review Article

# Service Quality Dimensions in Banking: A Comprehensive Literature Review

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## A B S T R A C T

This research paper delves into the multifaceted dimensions of service quality in the banking sector by conducting an extensive literature review. Drawing insights from various studies conducted globally, the paper aims to provide a comprehensive overview of the diverse methodologies, findings, and trends in evaluating service quality within the banking industry. Key dimensions explored include service system quality, behavioral service quality, service transactional accuracy, machine service quality, human skills, tangibles, empathy, reliability, responsiveness, and more. The synthesis of these studies aims to contribute to a deeper understanding of the nuanced aspects influencing customer perceptions of service quality in banks. It examines various perspectives, methodologies, and regions, encompassing both traditional and e-banking services. Key contributions include the development of new measurement scales, comparative analyses, and explorations of service quality's impact on customer satisfaction and loyalty.

**Keywords:** Service Quality, Customer Satisfaction, Banking Industry, E-Banking, Literature Review

## Introduction

- **Background:** The banking sector is undergoing continuous evolution, with customer expectations playing a pivotal role. One crucial aspect influencing customer perceptions is service quality. Understanding the dimensions of service quality in banking is imperative for institutions aiming to meet or exceed customer expectations.
- **Importance of Service Quality in Banking:** In an era marked by technological advancements and intense market competition, service quality becomes a key differentiator for banks. Positive service experiences contribute to customer satisfaction and loyalty. The importance of service quality in banking cannot be

overstated, as it serves as the linchpin for establishing and maintaining a strong and sustainable relationship between financial institutions and their customers. In an industry where intangible products are the norm, the quality of service becomes a tangible and critical factor that directly influences customer satisfaction and loyalty. Service quality encompasses various dimensions, including the reliability of transactions, the responsiveness of staff, the assurance provided, tangible aspects such as facilities, and the empathetic handling of customer needs. Banks that prioritize and excel in delivering high-quality services not only meet customer expectations but also foster a sense of trust and confidence. This, in turn, contributes to positive word-of-mouth, customer retention, and a competitive

edge in an ever-evolving financial landscape. With the advent of digital transformation and the rise of e-banking, the importance of service quality extends to seamless online experiences, making it imperative for banks to continually innovate and enhance their service delivery methods to meet the dynamic expectations of modern customers. Ultimately, understanding and addressing the multifaceted dimensions of service quality are pivotal for banks seeking to thrive in a competitive market and build lasting relationships with their clientele.

- **Research Objectives:** This paper aims to comprehensively review existing literature on service quality dimensions in the banking sector, highlighting key findings, variations across studies, and implications for the industry.

### Methodology

- **Inclusion Criteria for Literature Selection:** Studies included in this review were selected based on their relevance to service quality dimensions in banking, with a focus on both traditional and e-banking services. Peer-reviewed articles, conference papers, and reputable reports were considered.
- **Data Collection Methods in the Reviewed Studies:** The literature reviewed encompasses empirical studies employing diverse research methods, including surveys, interviews, and content analysis.

### Service Quality Dimensions in Banking: A Comparative Overview

- **Aldlaigan & Buttle (2002):** Developed a 21-item scale with four dimensions, emphasizing organizational and transactional levels of service quality evaluation.
- **Hussein and Tamimi (2003):** Modified SERVQUAL for measuring service quality in UAE commercial banks, identifying three dimensions.
- **Arasli et al. (2005):** Analyzed service quality in Cyprus, revealing a four-dimensional structure, with responsiveness failing to load.
- **Bhat (2005):** Conducted a comparative study on service quality perceptions, suggesting the need for heavy investment in tangibility.
- **Malhotra et al. (2005):** Examined differences in service quality dimensions between developed and developing economies, highlighting significant variations.
- **Amudha & Vijayabanu (2007):** Conducted a study on ICICI Bank customers, emphasizing the highest gap scores for reliability.
- **Bodla (2005):** Explored and measured the quality of services provided by commercial banks in India, revealing a service quality gap.
- **Xin Guo et al. (2008):** Examined Chinese Banking Service Quality, identifying a nested model with higher-

order and lower-order constructs.

- **Agarwal et al. (2009):** Explored factors affecting customer perception and attitude towards e-banking in India.
- **Abdullah et al. (2010):** Identified and validated dimensions of service quality within the banking sector in Malaysia.
- **Pisnik et al. (2010):** Validated a perceived retail banking service scale in a small transitional economy of Europe.
- **Mishra et al. (2010):** Investigated perceptual differences and principal components in Indian banks.
- **Kumbhar (2011):** Investigated customer satisfaction in ATM service of public and private sector banks in India.
- **Tsoukatos & Mastroianni (2010):** Built a retail-banking-specific quality scale and compared it to SERVQUAL and BSQ metrics.
- **Islam & Ali (2011):** Examined the interrelationship among service quality, satisfaction, and customer loyalty in a developing country context.
- **Echchabi Abdelghani (2012):** Investigated service quality perceptions and expectations for Moroccan banking customers.
- **Lau, Mei & Cheung (2013):** Identified interrelationships between service quality, customer satisfaction, and customer loyalty in the retail banking sector in Hong Kong.
- **Mohammad (2013):** Determined customer-perceived service quality at rural Indian banks and identified significant predictors of overall customer satisfaction.
- **Khurana (2013):** Investigated the level of customer satisfaction with the service quality of private banks in Hissar district, India.
- **Panda et al. (2014):** Constructed a measure of service quality for Indian private-sector banks using the SERVQUAL model.
- **Kaur & Kiran (2015):** Studied how e-banking consumers perceive services in public, private, and foreign sector banks operating in the Indian banking sector.
- **Chauhan et al. (2016):** Presented a comprehensive view of the status of e-banking in India and analyzed the growth and trends of electronic channels.
- **Muala (2016):** Investigated the effect of banking Service Quality Dimensions on customers' satisfaction and loyalty in Jordan.
- **Tejinder Pal (2017):** Explored the role of green banking in improving energy and carbon efficiency, as well as product efficiency for customers.
- **Ajimon (2018):** Examined the perceptions of Internet banking users in Kerala using the technology acceptance model.
- **Alolayyan et al. (2018):** Examined the impact of service quality and customer satisfaction in commercial banks operating in Jordan.

- **Kaur & Arora (2020):** Revisited the role of perceived risk in online banking, incorporating trust as a moderator.
- **Sreenivasa & Subramanyam (2021):** Investigated the impact of E-Banking Strategies on Customer Satisfaction in Selected Public and Private Sector Banks in India.
- **Shetty (2022):** Understood the influence of service quality on customer loyalty in Indian public sector banks.

### Synthesis and Analysis

- **Patterns and Trends across Studies:** Despite variations, common patterns include the significance of reliability, assurance, and responsiveness in determining service quality.
- **Service Quality Dimensions with Consistent Impact:** Assurance and empathy consistently emerge as critical dimensions influencing overall customer satisfaction.
- **Variations in Service Quality Perception across Regions and Economies:** Regional differences impact customer expectations and evaluations of service quality, emphasizing the need for localized strategies.

### Implications for Banking Industry

- **Strategies for Improving Service Quality:** Institutions should focus on enhancing reliability, assurance, and responsiveness, considering the regional variations highlighted in the literature.
- **Addressing Service Quality Gaps:** Identifying and addressing gaps in service quality, particularly in dimensions such as empathy and tangibility, is crucial for improving customer satisfaction.
- **Adapting to Regional Differences:** Banks need to tailor their service quality strategies based on regional expectations and cultural nuances to ensure a more personalized customer experience.

### Challenges and Future Directions

- **Methodological Limitations in Existing Studies:** While the literature provides valuable insights, some studies may have limitations in sample size, geographic representation, or research methods.
- **Emerging Trends in Banking Service Quality Research:** Future research could explore emerging trends such as the impact of artificial intelligence, block chain, and other technological advancements on service quality perceptions.
- **Suggestions for Future Research:** Research gaps and opportunities for future studies include the need for longitudinal research, cross-cultural comparisons, and investigations into the evolving role of technology in shaping service quality.

### Conclusion

- **Summary of Key Findings:** The synthesis of literature

encapsulated in this comprehensive review reveals a rich tapestry of insights into the various dimensions of service quality within the banking sector and elucidates their profound consequences on customer satisfaction and loyalty. Through an extensive exploration of empirical studies conducted globally, the review underscores the pivotal role played by dimensions such as reliability, responsiveness, assurance, tangibles, and empathy in shaping the overall service quality perceptions of banking customers. The findings consistently emphasize that successful service quality evaluations occur at dual levels—organizational and transactional—underscoring the nuanced nature of customer assessments.

Intriguingly, the research methodologies employed in the reviewed studies range from qualitative approaches, such as focus groups and one-to-one interviews, to quantitative analyses utilizing established tools like SERVQUAL. This diversity in research methods provides a robust foundation for understanding service quality perceptions from both qualitative and quantitative perspectives. Moreover, the literature suggests that the banking industry is witnessing a transformative shift, with the advent of e-banking and digital channels, prompting a reevaluation of traditional service quality dimensions.

One of the overarching findings is the consistent affirmation of the critical link between service quality and customer satisfaction. Notably, dimensions like reliability, assurance, and responsiveness emerge as central pillars influencing customers' overall satisfaction levels. The studies collectively underscore the imperative for banks to align their strategies with evolving customer expectations, emphasizing the need for continuous improvement in service quality to foster enduring customer loyalty.

- **Contributions to the Field:** The paper contributes to the existing body of knowledge by synthesizing findings from various studies, identifying commonalities, and providing insights for industry practitioners and researchers.
- **Final Thoughts:** As the banking sector continues to evolve, understanding and adapting to changing customer expectations in service quality are critical for sustained success.

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