RESEARCH ONLINE

University of Wollongong
Research Online

Faculty of Commerce - Papers (Archive)

Faculty of Business

2011

Customer satisfaction measurement for the state-owned banks in the developing countries - The case of Bangladesh

Muhammad Saifuddin Khondaker
University of Wollongong, mkhondak@uow.edu.au

Monir Zaman Mir
University of Canberra, mmir@uow.edu.au

Publication Details

Khondaker, M. Saifuddin. & Mir, M. Zaman. (2011). Customer satisfaction measurement for the state-owned banks in the developing countries - The case of Bangladesh. Journal of Business and Policy Research, 6 (2), 153-172.

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

RESEARCH ONLINE

Customer satisfaction measurement for the state-owned banks in the developing countries - The case of Bangladesh

Abstract

Customer Satisfaction has become an imponant aspect of measuring performance. particularly for the banking and finance industry. As most banks and finance organizations offer Similar products and services. Improving customer satisfaction and loyalty is the most important factor in maintaining as well as increasing market share for these organizations. Customer satisfaction is a grossly neglected area for performance measurement in almost all Least Developed Countries (LDCs) and Bangladesh is no exception. Like most LDCs. Bangladesh is also com:ng under pressure from the IMF. World Bank. ADB. etc. to reform its inefficient financial sector. Anecdotal evidence suggests that state·owned commercial banks (SCBs) have losl their market share and are near to closure because of their poor service quality as perceived by their customers. In contrast private and foreign commercial bankS working ;n the same social-economic and cultural settings are growing rapidly with higher profits and market share. The purpose of the paper is :0 identify the factors that affect and explain CUS10mer satisfaction in Bangladesh 's stateowned commercial banks (SCBs). This study has focused on how customer satisfaction indicators can influence the policy measures in shaping and reforming the stare-owned banks which are reeling from poor quality service and managemenr. and corruption. Yet these banks srill coorrol the finance market through 3383 branches (50% of total branches in the finance sector). Our analysis of the questionnaire sUNey accompanying this study explains the critical factors for customer satisfaction in SCB management. namely responsiveness. physical comfon and assurance. These need to be built on if customer salisfactiOfl is to be treated as a strategic van'able and improved. The findings of the study are expected to guide state-owned commercial banks as well as privare. foreign and Islamic banks in Bangladesh to improve their levels of customer satisfaction.

Keywords

developing, bangladesh, case, countries, banks, owned, state, measurement, customer, satisfaction

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Khondaker, M. Saifuddin. & Mir, M. Zaman. (2011). Customer satisfaction measurement for the state-owned banks in the developing countries - The case of Bangladesh. Journal of Business and Policy Research, 6 (2), 153-172.

This journal article is available at Research Online: http://ro.uow.edu.au/commpapers/2843

CUSTOMER SATISFACTION MEASUREMENT FOR THE STATE-OWNED BANKS IN THE DEVELOPING COUNTRIES – THE CASE OF BANGLADESH

***Muhammad Saifuddin Khondaker**
(Corresponding author)

Address for correspondence:
School of Accounting and Finance
Faculty of Commerce
University of Wollongong (UOW)
NSW, Australia

Phone- 02-9829 5454, Mobile 0425 295 132
Email: saifraihan@yahoo.com or msk745@uowmail.edu.au

And

†Monir Zaman Mir
Faculty of Business and Government
University of Canberra
Canberra, ACT 2601, Australia

Telephone and fax:
Ph: + 61 2 6201 5841
Fax: + 61 2 6201 5238

Email: monir.mir@canberra.edu.au

CUSTOMER SATISFACTION MEASUREMENT FOR THE STATE-OWNED BANKS IN THE DEVELOPING COUNTRIES – THE CASE OF BANGLADESH

***Muhammad Saifuddin Khondaker**
†Monir Zaman Mir

Abstract:

***C**ustomer **S**atisfaction has become an important aspect of measuring performance, particularly for the banking and finance industry. As most banks and finance organizations offer similar products and services, improving customer satisfaction and loyalty is the most important factor in maintaining as well as increasing market share for these organizations. Customer satisfaction is a grossly neglected area for performance measurement in almost all Least Developed Countries (LDCs) and Bangladesh is no exception. Like most LDCs, Bangladesh is also coming under pressure from the IMF, World Bank, ADB, etc. to reform its inefficient financial sector. Anecdotal evidence suggests that state-owned commercial banks (SCBs) have lost their market share and are near to closure because of their poor service quality as perceived by their customers. In contrast private and foreign commercial banks working in the same social-economic and cultural settings are growing rapidly with higher profits and market share. The purpose of the paper is to identify the factors that affect and explain customer satisfaction in Bangladesh's state-owned commercial banks (SCBs). This study has focused on how customer satisfaction indicators can influence the policy measures in shaping and reforming the state-owned banks which are reeling from poor quality service and management, and corruption. Yet these banks still control the finance market through 3383 branches (50% of total branches in the finance sector). Our analysis of the questionnaire survey accompanying this study explains the critical factors for customer satisfaction in SCB management, namely responsiveness, physical comfort and assurance. These need to be built on if customer satisfaction is to be treated as a strategic variable and improved. The findings of the study are expected to guide state-owned commercial banks as well as private, foreign and Islamic banks in Bangladesh to improve their levels of customer satisfaction.*

Keywords: *Service quality, Customer satisfaction, Governance, State-owned Commercial Banks, Bangladesh*

Field of Research code- 150203 (Financial institutions inc. banking)

*University of Wollongong, Phone- 02-9829 5454, Mobile 0425 295 132
Email: saifraihan@yahoo.com or msk745@uowmail.edu.au

†University of Canberra, Ph: + 61 2 6201 5841, Fax: + 61 2 6201 5238
Email: monir.mir@canberra.edu.au

1. INTRODUCTION:

Customer Satisfaction (CS) has become an important measure of firm performance and consequently an important area of interest in the accounting and finance research literature. Institutional theory and stakeholder theory have referred to the multidimensionality of the customer as not only an economic being but also as a member of a family, community and country. Recent research in accounting advocates using customer satisfaction and loyalty as useful non-financial measures of firm performance, so that good corporate governance will be the outcome (Smith and Wright, 2004).

The ability to satisfy customers is vital for a number of reasons. For example, it has been shown that dissatisfied customers tend to complain to the establishment or seek redress from them when they have experienced poor service and want certain issues addressed (Oliver, 1987; Nyer, 1999). A disgruntled customer can therefore become a saboteur, dissuading other potential customers away from a particular service provider. The measurement of customer satisfaction in service industries, compared to manufacturing industries, requires special consideration due to difficulties of finding accurate measurement parameters. Of all the service industries, the banking and financial sector has a dominant position and a discussion of customer satisfaction-based performance measurements in the financial sector requires special attention.

Customer satisfaction is a grossly neglected measure of governance in most LDCs including Bangladesh. Anecdotal evidence suggests that state-owned commercial banks (SCBs) have lost their market share and are virtually on the point of closing because of their poor service quality as perceived by their customers. In contrast, private and foreign commercial banks working in the same economic and cultural setting are growing rapidly with higher profits and market share. Hardly any research has been done to explain the reasons for degrading SCBs from a customer service point of view. Therefore this study aims to identify the crucial service quality measures which SCB customers perceive to be important to their level of satisfaction. The outcomes of this study will enable relevant bank authorities and governments to

implement policies that enable existing SCBs to retain or improve market share and therefore survive.

Like most developing countries the financial sustainability of the state-owned commercial banks (SCBs) is far more critical for Bangladesh rather than private commercial banks (PCBs), as SCBs have large rural branch networks focusing on social welfare rather than profit maximizing policies (Choudhury, 2002).Regarding the banks that are currently operating in Bangladesh, anecdotal evidence suggests that the financial sustainability of SCBs is threatened due to their poor service quality. In an ever increasing competitive market, SCBs in Bangladesh need to differentiate and improve their governance structures by reclaiming customer confidence and support for their own survival. A better understanding of the determinants of customer satisfaction of SCBs should help policy makers devise policies and regulations that improve the service quality of SCBs and subsequently improve their financial sustainability. According to the former Governor of Bangladesh Bank (Central Bank of Bangladesh):

> …..the nationalized commercial banks (NCBs) should undergo more reforms to upgrade service standard and attain better financial health. Appreciating high customer service standards of private commercial banks (PCB), he said good corporate governance and efficient management are the secret of PCBs' success (*The Daily Star, June 03, 2003*).

Under such circumstances this study addresses two major research objectives:

1. Identify the factors that determine service quality in the context of nationalized commercial banks of Bangladesh
2. Evaluate how key service quality dimensions relate to the important measure of governance – customer satisfaction

Our study will investigate the aforementioned issues by identifying relevant models for measuring customer satisfaction. It examines the key determinants of service quality in the banking sector as well as similar industries. After examining earlier and recent literature on service quality dimensions based on customer perceptions, this study also developed a customised SQ model for SCBs in Bangladesh. At this stage, the hypotheses are developed based on the conceptual framework. After establishing a sufficient reliability and validity check of the SQ measurement model, the authors proceed with another objective – to examine the relationship between service quality dimensions and customer satisfaction.

2. CUSTOMER SATISFACTION AND SERVICE QUALITY

Customer satisfaction can be defined as the feeling or attitude of a consumer toward a product/service after it has been used (Metawa & Almossawi, 1998; Wells & Prensky, 1996). Oliver (1980) explained that customer satisfaction entails the full meeting of

customer expectations of certain products and services. If the perceived performance matches or even exceeds customers' expectations of service, then they will be satisfied. If it does not, then they are dissatisfied (Wulf, 2003). Previously, a number of scholars have used service quality as a measure of customer satisfaction particularly in the context of service literature. Of all the SQ measures the SERVQUAL dimensions are considered to be the best explanatory variables in predicting customer satisfaction; the reliability dimension had the highest impact on overall customer satisfaction (Arasly et al., 2005a). This study was consistent with Othman and Owen (2001) who suggested that there is a strong link between SERVQUAL and customer satisfaction.

Our study will re-examine the SERVQUAL model (Parsuraman et al., 1988) to determine the critical factors in measuring customer satisfaction in the context of a developing economy's banking sector, i.e. Bangladesh.

3. LITERATURE REVIEW:

Banker et al. (2000) identified the relationships between customer satisfaction and governance indicators, for example firm or business performance. They established that investment in customer relationships provides the basis for developing strategies for creating customer value, and such strategies provide the foundation for sustainable competitive advantage leading to solid financial performance. Liang et al. (2009) have successfully tested the relationship between CS and loyalty which leads to better financial performance measured as customer retention and cross-buying. Reicheld and Sasser (1990) argued that loyal and satisfied customers are less likely to switch to other providers and their retention requires less ongoing effort to retain the relationship.

Dutta and Kirti (2009) explored the gulf between customer expectations and perceptions of service quality factors throughout public, private and foreign banks in India based on the SERVEQUEL model. According to the findings of their paper – tangibles such as assurance, empathy and reliability dimensions explain customer satisfaction in Indian banks. The prescriptions of donor agencies like the World Bank, IMF, and ADB, etc. are centered around the notions of reforming the state-owned banks and capital markets, improving service quality and performance and good governance, because closing them would cost more in terms of public welfare (Zafarullah, Huque, 2001). Andaleeb et al. (2000(a), 2000(b), 2001, 2007) have explored more generally the issues pertaining to service quality and patient satisfaction in public, and private hospitals in Bangladesh. The findings of their papers shaped the SERVQUAL model through combining and including cultural variables in the scale for measuring customer satisfaction in the service sector in Bangladesh.

Siddiqi (2011) conducted a survey of 100 retail banking customers in Bangladesh to establish the relationships between service quality attributes, customer satisfaction and customer loyalty. His study also supported the contention that all service quality

attributes are positively related to customer satisfaction, and customer satisfaction is positively related to customer loyalty in the retail banking settings in Bangladesh. Jahiruddin and Haque (2009) surveyed 198 bank customers in Khulna, the third largest city in Bangladesh to explore the pattern of preferences and relative importance of different factors to customers when selecting their preferred banks. The study concluded that customers placed the highest priority on convenience factors, i.e. responsiveness and assurance factors in the SERVQUAL model. The study also recommended that banks should focus on reducing their procedural complexities and ensuring the delivery of quick services to customers in order to retain existing as well as attracting new customers.

A similar study was conducted by Islam and Ahmed (2005) on 404 sample private, public and foreign commercial bank clients in the capital city, Dhaka, using the SERVQUAL model. The findings of this particular study supported the notion that the banks' most important service quality factors are: personal attention to the clients, error-free records, safety in transactions, and tangible physical facilities. The study also found a significant difference between the expected and perceived service quality of public and private banks. Akter et al. (2008) studied the perception of service quality and patients' satisfaction in public hospitals and identified the service quality factors that are important to patients. The study identified six important attributes based on SERVQUAL and qualitative interviews with experts and recipients of healthcare service. Qun and Prybutok (2008) analyzed the determinants of customer perceived SQ in fast-food restaurants and their relationship to customer satisfaction and behavioral intentions using the modified SERVPERF instrument which originated from the SERVQUAL model.

4. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Assessing customer satisfaction in the banking sector poses a few challenges, particularly in developing countries like Bangladesh. The most critical challenge is: what criteria should be used for satisfaction measurement? Studies in the developing world have shown a clear link between customer satisfaction and service quality (Rao et al., 2006; Zineldin, 2006). We believe this link also important for the banking sector in Bangladesh. The selected measures available in developed countries have been used as a guide for our research. The SERVQUAL framework (Parasuraman et al., 1985; 1988; 1991) has identified a number of key determinants of service quality which successfully guided numerous studies in the service sector, such as banks, retail stores, hospitals, hotels, telephone companies, etc. SERVQUAL measurement involved establishing differences between customers' perceptions and expectations based on five generic dimensions: tangibles, reliability, responsiveness, assurance and empathy (Andaleeb et al., 2006). The basic assumption underlying the SERVQUAL scale is that performance below expectation (obtaining a negative score) leads to a perception of low SQ, while exceeding expectations (obtaining a positive score) leads to a perception of high SQ. Therefore, perceived SQ is the result of the customer's comparison of

expected service with the service received. Then overall customer satisfaction is measured by the perceived SQ of the customer from a specific service encounter.

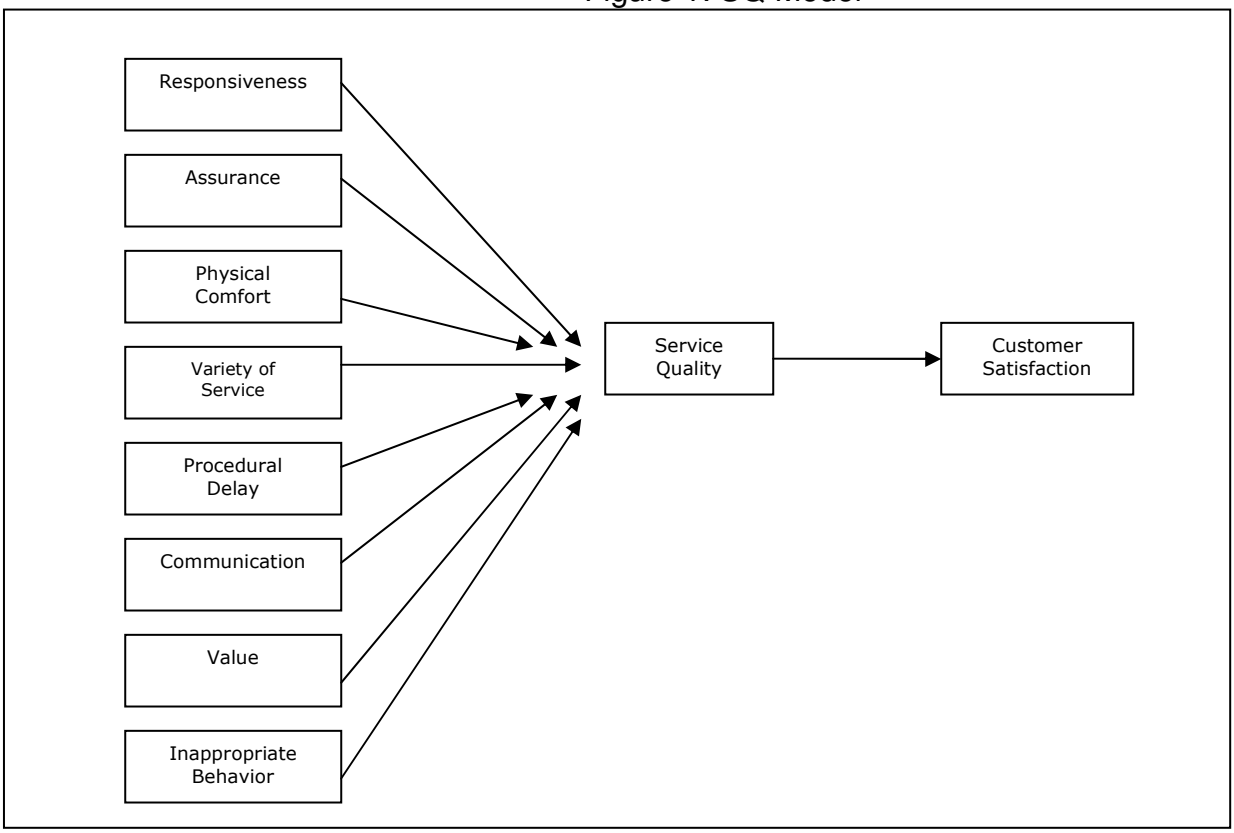
While this framework has been used in a variety of service encounters, it is not beyond limitations. Carman (1990) suggested that in specific service situations, SERVQUAL dimensions may need to be deleted or modified. Furthermore in some situations it may require introducing new dimensions. Brown, Churchill and Peter (1993) suggested measurement problems in the use of scores. Moreover, in cross-sectional studies, measuring the gap between expectations and performance (a key feature of SERVQUAL) can be problematic (Andaleeb et al., 2001).

The literature review addressed above also confirms that the SERVQUAL model is the basis for most of the SQ research because it is useful and comprehensive. Moreover, the five dimensions of the model have been customized by many researchers to make it operational in a socio-economic and cultural setting. Based on the above limitations of the SQ model, the Bangladesh context of this study suggested the need to explore additional factors in establishing service quality criteria and their measures for the relevant service industry. In their studies on hospital service and patient satisfaction in Bangladesh, Andaleeb et al. (2000; 2001; 2006; 2007) claimed that the Bangladesh context of SQ analysis made it imperative to include additional cultural variables to establish service quality criteria and what they measure. For example, qualitative interviews suggested that the concepts of *baksheesh* (facilitating payment) and discipline should be included in assessing local perceptions of SQ. Consequently the authors of this paper have suggested a modified framework instead of limiting the concepts and measures of service quality to theoretical structures as suggested by SERVQUAL.

In our empirical study on CS in SCBs we also modified the SERVQUAL model based on secondary research, qualitative interviews, and focus group discussions to accurately describe factors determining service quality in Bangladesh's banking sector. We identified eight dimensions that were modeled with overall satisfaction as the dependent variable. We also used the transaction-specific (TS) model to address our research question. The TS model suggests how overall customer satisfaction can be explained by evaluating experiences with specific aspects of service quality, product quality and price (Parasuraman et al., 1994).

Based on our secondary research and group discussions, our proposed SQ model in this study is as follows:

Figure 1: SQ Model



5. PROPOSITIONS:

At many commercial banks in Bangladesh, especially SCBs, a general sense of apathy and unconcern is reflected in bank staff personnel's relationship with customers. Unnecessary delay in providing services and long queues at cash counters are frequent experiences in SCBs. However, when staff members are more responsive, attending to clients' needs quickly and with care and courtesy, it should result in improved customer satisfaction (Andaleeb 2001). Therefore, it is proposed that:

H_1: the greater the responsiveness of the SCB staff to customers' needs, the greater will be customers' level of satisfaction.

A basic expectation of SCB customers is the assurance that they will be attended to by skilled and competent staff who will treat them professionally and efficiently, and perform procedures correctly the first time. If customers perceived their service providers to be lacking in these qualities, the sense of assurance that they will receive proper service attention will decline. The mental unease that is associated with such lack of assurance should also diminish customers' satisfaction levels (Andaleeb et al, 2001). Thus:

H_2: the greater the level of assurance provided by the SCB and SCB staff, the greater is customers' level of satisfaction.

The general appearance of the bank facilities and the staff provides to some extent tangible cues about the quality of service that customers can expect. Such physical evidence reflecting the overall condition of a bank and its facilities was deemed important by customers during the qualitative interviews. In the service quality literature, this is referred to as the 'tangibles' dimension. This basic requirement is routinely neglected in SCBs (Andaleeb et al., 2001). It is proposed, therefore, that:

H_3: The greater the level of perceived comfort in the tangible/physical environment of the bank, the greater will be the level of customer satisfaction with SCB services.

SCBs lack modern online services, ATM services or phone services. However, these services are generally available in the private commercial banks of Bangladesh. Therefore, it is hypothesized that the absence of these modern services creates dissatisfaction amongst the customers of SCBs.

H_4: the more the services are comprehensive, the greater will be the level of customer satisfaction with SCBs.

SCBs are generally known for being overly bureaucratic in their governance systems, having lengthy procedures in comparison to private commercial banks in Bangladesh who often offer 'one-stop' services. Customers of SCBs are often asked by the employees to go from desk to desk to obtain certain approvals, etc. which takes much time and effort. Therefore,

H_5: the less procedural delays there are in providing service, the greater will be the level of customer satisfaction with SCBs.

NCBs are generally slow in disseminating information regarding services, new service offerings, service charges modifications or even providing customer transaction reports. Many SCB staff members demonstrate a lack of desire to communicate with patients. When stony-faced staff personnel are reluctant to answer questions or explain the procedures of a transaction, customers may feel that they are not taken care off (Andaleeb et al., 2001) or perhaps not being taken seriously. Therefore,

H_6: the better the quality of communication between the depositors and staff, the greater will be the level of customer satisfaction with SCB service.

Customer satisfaction should also be influenced by perceived transaction costs. Customers consider a cost-benefit analysis before undertaking any financial transaction. Generally, it is expected that in the mind of the customer, the benefit derived from engaging in a transaction should result in something better than simply the cost incurred. According to Wong (1990) consumers will shop around for the best value.

Consequently, if SCB transaction costs exceed customer expectations, this will influence customers' satisfaction with SCB services (Andaleeb, 1988). Thus:

H_7: The greater the perception that SCB costs are excessive, the lower will be the level of customer satisfaction.

Corrupt practices in many walks of life represent a general and growing political and socio-economic issue globally. In many developing countries such as Bangladesh, this problem is pervasive and endemic. One may be hard-pressed to find a service sector in which there is no corruption. The banking environment is also not immune from it; rather, the problem may be growing. Corrupt practices have also exacerbated the woes of customers. These practices represent harassment and have a negative influence on customer satisfaction (Andaleeb et al., 2001). Thus:

H_8: The greater the perceived inappropriate behavior by employees of SCBs in terms of favoritism and '*baksheesh*' or inappropriate behavior by SCB customers, the lower will be the level of customer satisfaction with banks.

The basic model tested in our study therefore is:

Satisfaction = a+b1*responsiveness+b2*assurance+b3*physical comfort+b4*variety of service-b5*procedural delays+b6*communication-b7*costs-b8*inappropriate behavior+error

6. DATA AND METHODOLOGY

Secondary sources Research

Looking for secondary sources in local and foreign journals was undertaken initially to find relevant studies on service quality. The lack of indigenous literature led to our derivation of preliminary insights from models developed in developed countries and application of the customized SQ model in other sectors. These models were instrumental in guiding the qualitative interviews with experts and recipients of bank services in Bangladesh. Furthermore the key service issues were derived from their inputs.

Questionnaire Design

A preliminary version of the questionnaire was developed in English based on our secondary research and focus group discussions. Each items was rated on a seven-point Likert scale anchored at the number 1 with the verbal statement 'Strongly Disagree' and the number 7 with the verbal statement 'Strongly Agree'. The questionnaire was pre-tested and refined until all the appropriate wording was finalized and captured the desired constructs.

Data Collection and Sampling Plan

The study was conducted in two phases. Due to resource and time constraints and the exploratory nature of this investigation, only 100 interviews in the first phase and 240 interviews in the second phase were planned for Dhaka city. A complete list of the branches of NCBs operating in Dhaka has been collected.

In the first phase, five branches of each of the four SCBs have been selected randomly. From each branch, five respondents have been selected systematically. In the second phase, ten branches of each of the four SCBs were chosen randomly. From each branch, six respondents were selected systematically. Every third customer has been chosen as a respondent in both phases. This procedure was difficult to implement because on many occasions the third respondents did not like to be interviewed. Consequently the next respondent was chosen. There were some incomplete questionnaires. Ultimately, 98 survey questionnaires from the first phase and 214 survey questionnaires from the second phase were analysed. The first phase was a pilot survey which produced very significant results and validated the questionnaire. Following this another survey was conducted for 240 customers to identify the bigger picture of customer perception of SQ. Then both surveys were combined to explore the research question in more detail by completing the data analysis and reporting the findings.

7. FINDINGS

Pilot survey resulted in the following model:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785	.616	.615	.29389

a) Predictors: (Constant), INAP_EMP, ASSURNC, INAP_PAY, PHYSCOM, RESPONSE
b) Dependent Variable: SATIS

Based on the pilot survey our questionnaire was modified by including more factors. Each factor was assessed for reliability using coefficient alpha. The reliability coefficients always exceeded the value of 0.7 recommended by Nunnanlly (1978). The results of the final survey are presented below:

Responsiveness (H_1): When the reliability test was conducted regarding the factor 'responsiveness', we found the value of alpha 0.8654. If we drop one survey question ('You were greeted warmly'), we found the value of alpha 0.8832. We selected the variable 'responsiveness' with the higher alpha value. The scale item 'You were greeted warmly' seemed inappropriate for defining responsiveness because customers in SCBs have to wait in a long queue in order to be served and are more likely have their job done in a straightforward way. Rather they may view greetings as a waste of time and an avoidance of responsibilities.

Assurance (H_2): Regarding the factor of 'assurance', the reliability test showed an alpha value 0.6715. When we excluded two questions ('The office is dirty', and 'SCBs have little chance of default'), we discovered a higher reliability with an alpha value 0.7472. The 'assurance' variable is accepted for the model with a higher alpha value. The scale item 'The office is dirty' may seem more appropriate for measuring the 'discipline' variable. As most customers view SCBs as government-backed institutions they think SCBs cannot default. Thus the scale has no impact on measuring 'Assurance'.

Physical comfort (H_3): The reliability test of the factor 'physical comfort' showed an alpha value of 0.6038. Again, if we drop two items ('Power failure stops service delivery'; and 'Adequate parking is available'), the alpha value increases to 0.7173. Therefore we have accepted this variable for the model. The exclusion seems logical as power failures are an everyday occurrence in Bangladesh and will hardly affect their SCB banking. Most SCBs still have ledger-based transitions. Furthermore 'parking' has little impact on customers as most SCB customers cannot afford a car.

Variety of service (H_4): The highest alpha value with regard to the construct 'variety of service' was 0.7759. To achieve this, three items had to be eliminated ('The system is automated'; 'Bank provides statements regularly'; 'ATMs are available'). The exclusion seems appropriate since most SCB customers are ignorant and unwilling to use machines and do not need bank statements.
Reliability analysis of three factors - 'unnecessary and lengthy steps' **(H_5)**, 'communication' **(H_6)**, and 'value' **(H_7) -** did not yield the minimum desired alpha value of 0.70. We have conducted factor analysis based on these survey questions. Factor analysis highlights the presence of several factors but logically these questions could not be related.

Inappropriate behaviour (H_8): The last factor was 'inappropriate behaviour'. After conducting factor analysis, two factors could be logically deduced.

New Variable Created	Alpha value
Inappropriate behavior of employees that involves time, i.e. negligence of employees	0.8632
Inappropriate behavior of employees regarding extra favor special clients or receiving payment, i.e. baksheesh	0.8359

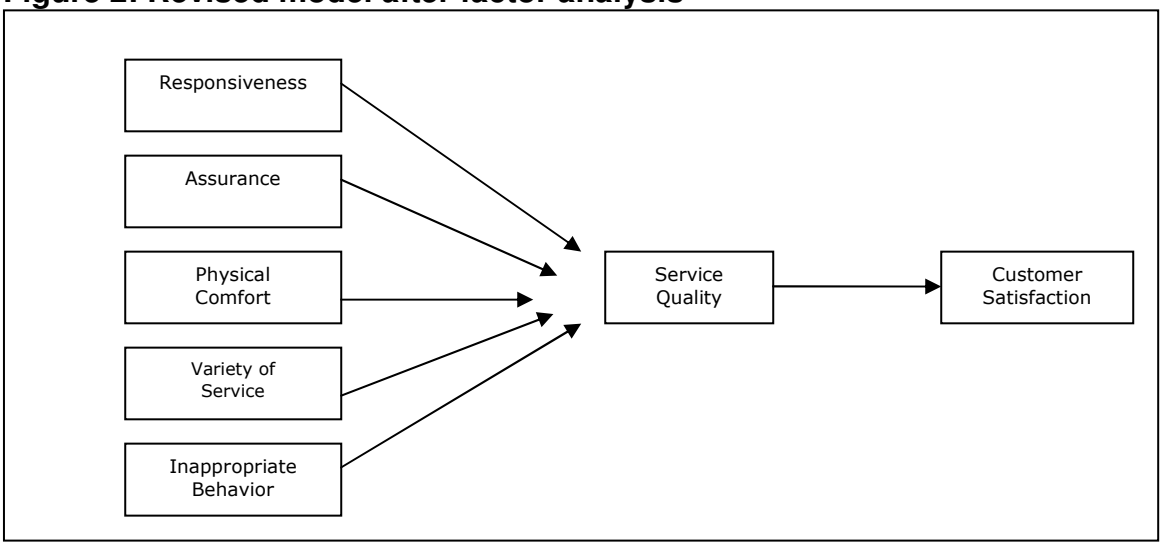
The table below summarizes the reliability analysis:

	Factor	Accepted Alpha Value	Variable name in the model
1	Responsiveness	0.8832	RESPONSE
2	Assurance	0.7472	ASSURNC

3	Physical comfort	0.7173	PHYSCOM
4	Variety of service	0.7759	MOD_SERV
5	Inappropriate behavior re: negligence	0.8632	NEGL_EMP
6	Inappropriate behavior re: favoritism	0.8359	FAV_EMP
7	Satisfaction	0.7783	SATIS

R square indicates the portion of variability in the dependent variable (satisfaction) is explained by the model. Based on the analysis above, this indicates that the model explains 53% variability in customers' satisfaction. The coefficient of the variables indicates the strength of the relationship between the independent variable and dependent variable. From the above analysis, the new model is shown below.

Figure 2: Revised model after factor analysis



The final model summary is as follows:

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**	
0.733	**0.537**	**0.524**	**1.17**	**2.006**	

a) Predictors: (Constant), FAV_EMP, MOD_SERV, PHYSCOM, NEGL_EMP, ASSURNC, RESPONSE
b) Dependent Variable: SATIS

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.113	.496		2.242	.026
	RESPONSE	.417	.079	.385	5.267	.000
	ASSURNC	.245	.095	.187	2.572	.011
	PHYSCOM	.291	.077	.220	3.799	.000
	NEGL_EMP	-6.930E-02	.051	-.075	-1.359	.176

	MOD_SERV	-6.626E-02	.047	-.068	-1.421	.157
	FAV_EMP	-5.169E-02	.044	-.059	-1.166	.245

A Dependent Variable: SATIS

Thus, the model is as follows:
Satisfaction = 1.113+ 0.385 Responsiveness + 0.187 Assurance + 0.220 Physical comfort –0.075 negligence of employees – 0.068 variety of service – 0.059 favouritism of employees.

This study tested the above CS model using the transaction – specific framework. The results suggest that our model satisfactorily explains customer satisfaction and SCB management and staff should focus on three major workplace issues - responsiveness, physical comfort and assurance - if customer satisfaction is to be treated as a strategic variable and enhanced.

The outcome of the study clearly demonstrates that the 'responsiveness' dimension of service quality was most important to customers. This dimension includes personal attributes of the SCB staff with the customers including whether personnel were prompt, courteous, helpful, knowledgeable and understood customers' needs. It is important, therefore, for SCBs to train and develop their staff so that customer expectations are met or exceeded according to these attributes.

Based on the regression coefficients, "physical comfort" was determined to be next in importance in influencing customer satisfaction. The positive beta value suggests that when the tangibles are not in accordance with expectations, customer satisfaction declines. The key tangible attributes found in the survey were the temperature, interior, furniture and tidiness of the banks. To enhance customer comfort and subsequently their level of satisfaction, SCBs should seriously focus on these attributes.

Based on the regression coefficient and beta values the construct "assurance" ranked third in importance. The positive beta value suggests that customers expect the SCB staff to be competent and able to solve their problems at the first opportunity. If their expectations are not met they would consider the service to be unsatisfactory and this will result in customer dissatisfaction.

The last two variables - "inappropriate behaviour" and "variety of service" - have lower beta value and considered to wield the least impact on SCB customer satisfaction. This finding seems logical as "variety of service" in terms of ATM, credit card, providing bank statements and phone banking is a completely new banking concept for SCB customers. Since they are unaware and unwilling to avail those services, this particular variable has hardly affected their level of customer satisfaction.

The last variable “inappropriate behaviour” has been broken into three constructs based on factor analysis which suggests little impact on satisfaction. Though ‘inappropriate behaviour” by employees or favouritism does influence customer satisfaction but this variable has only nuisance value. The low impact of “inappropriate behaviour” also seems to support the main thesis of this paper that quality (via responsiveness and assurance) is more important than cost and access. If a small price needs to be paid in the form of *baksheesh* or favor, its impact on customer satisfaction is significant but marginal (Andaleebet al.., 2001, p. 1366).

8. LIMITATION

A limitation of the study is its focus on the capital city, Dhaka, which may have very different socio-economic, demographic and institutional conditions compared to Bangladesh’s other cities. A deeper insight into the SQ dimensions from multi-faceted SCB customers needs to be documented by conducting surveys in more than one city.

9. CONCLUSION

We believe our model for assessing customer satisfaction in the underperforming SCBs is a useful one. We also believe that if SCB management and government bodies (Ministry of Finance, Central Bank) wants to save SCB from closure, they must work harder to improve the present levels of customer satisfaction. They can do this by emphasizing the significant factors discerned in this study and as suggested by the transaction-specific model.

10. FUTURE RESEARCH

Factors like “variability of service”, “inappropriate behaviour” and “cost” showed surprisingly lower values and these should be explored in future research. The role of market incentives may be included in future models of customer satisfaction to differentiate between the attitude/willingness of SCB and PCB employees. By considering these aspects, it may be possible to generate deeper insights into the factors that SCB management, related government bodies and Bangladesh Bank need to address in their policy development.

Bibliography

Alexandris, K., Dimitriadis, N. and Markata, D., 2002, "Can perceptions of service quality predict behavioral intentions? An exploratory study in the hotel sector in Greece", *Journal of Managing Service Quality,* Volume 12, Issue 4, Page 224 - 231

Ahmed, M and Khondaker, M, 2003,"Customer Satisfaction in Nationalized Commercial Banks: A Study on depositors", *The Journal of Business Studies,* Volume 1, November 1,2003, School of Business, Bangladesh Open University

Akter,S., Upal, M., and Hani,U., 2008, "Service Quality Perception and Satisfaction: A Study Over Sub-urban Public Hospitals in Bangladesh", *Journal of Services Research*, Special Issue (February, 2008)

Andaleeb, Syed Saad, 2000 (a), "Private and Public Hospitals in Bangladesh: service quality and predictors of hospital choice", *Health Policy and Planning* (2000) 15(1) 95-102

Andaleeb, Syed Saad, 2000(b), "Service Quality in Private and Public Hospitals in Urban Bangladesh: a comparative study", Elsevier *Health Policy 53* (2000) 25-37

Andaleeb, Syed Saad, 2001 "Service quality perceptions and patient satisfaction: a study of hospitals in a developing country", *Social Science and Medicine* 52 1359-1370

Andaleeb, S. S. and Conway, C., 2006 "Customer satisfaction in the restaurant industry: an examination of transaction-specific model", *The Journal of Services Marketing*, p3

Andaleeb, S. S., Siddiqui, N., and Khandakar, S., 2007 "Patient satisfaction with health services in Bangladesh", *Health Policy and Planning*, 22:263-273 Bangladesh Bank, annual report, 2007-08

Barden, W.O. and Teel, J.E., 1983, "Selected determinants of consumer satisfaction and complaints reports", *Journal of Marketing Research*", Vol 20 February pp. 21-8

BEI, 2004, "The code of corporate governance for Bangladesh: principles and guidelines for best practices in the private sector, financial institutions, state-owned enterprises and Non-governmental organizations", *Task Force on Corporate Governance*, Bangladesh Enterprise Institute, Dhaka, page 25-26

Berry, L, Parasuraman, A. and Zeithaml, V. 1990 "Five Imperatives for improving SQ", *Sloan Management Review,* Vol. 29, summer, pp. 29-38

Boscarino, J.A. 1992,"The public's perception of quality hospitals II: Implications for patient surveys", *Hospital and Health Services Administration*, 37(1), 13-35.

Cronin, J. and Taylor, S., 1992 "Measuring SQ: a re-examination and extension", *Journal of Marketin*g, Vol. 56, July, 55-68.

Cronin, J. and Taylor, S., 1994, "SERVPERF versus SERVQUAL: reconciling performance-based and perceptions-minus-expectations measurement of SQ", *Journal of Marketin*g, Vol. 58, January, 125-131.

Gronroos, C., 1984, “A SQ model and its marketing implications”, *European Journal of Marketing*, Vol. 18, pp. 36-44

Gronroos, C., 1988, “SQ: the six criteria of good perceived SQ”, *Review of Business*, 9(3), 10-13.

Howard, J. and Sheth, J. 1969, The Theory of Buyer Behavior, John Wiley & Sons, New York, NY.

Hunt, K.,1979, “Conceptualization and Measurement of Consumer Satisfaction and Dissatisfaction”, *Marketing Science Institute*, Cambridge, MA

Islam, Nazrul, Ezaz Ahmed, 2005, “A Measurement of Customer Service Quality of Banks in Dhaka City of Bangladesh”, *South Asian Journal of Management*; Jan-Mar 2005, 12, 1;

Jahiruddin, ATM; Haque, Rumana, 2009, “Bank Selection Criteria of Retail Customers in Bangladesh: A Study on Khulna City”, *Journal of Business and Management*; Vol. 15, No. 2,

Jones, T., Sasser, W. and Earl, W. Jr, 1995, “Why satisfied customers defect”, *Harvard Business Review*, Vol. 73 No. 6, pp. 88-99.

Kim, S., and Kleiner, B.H.,1996, Service excellence in the banking industry, *Journal of Managing Service Quality*, Volume 6, Issue 1, pp. 22 - 27

Le Blanc, G. and Nguyen, N.,1988, “Customers’ Perceptions of service quality in Financial Institutions”, *Interna-tional Journal of Bank Marketing*, 6(4), pp.7-18

Nyer, P., 1999, “Cathartic complaining as a means of reducing customer dissatisfaction”, *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, Vol 12 pp. 15-25

Oliver, R.L., 1981, “Measurement and evaluation of satisfaction process in retail settings”, *Journal of Retailing*, Vol. 57, Fall, pp 25-48.

Oliver, R.L.,1987, “An investigation of the interrelationship between consumer (dis)satisfaction and complaining reports”, in Wallendorf, M and Anderson, P. (Eds), Advances in Consumer Research, Vol 14, Association of Consumer Research, Provo, UT, pp 218-22.

Oliver, R.L., 1993, “A conceptual model of SQ and service satisfaction: compatible goals, different concepts”, *Advances in Services Marketing and Management*, Vol. 2, JAI Press, Greenwich, CT, 65-85.

Oliver, R.L., 1997, “Satisfaction: A Behavioural Perspective on the Consumer,” McGraw-Hill, New York, NY

Parasuraman, A., Berry, L. and Zeithaml, V., 1985, “A conceptual model of SQ and its implications for future research,” *Journal of Marketing*, Vol. 49, Fall, 41-50.

Parasuraman, A., Berry, L. and Zeithaml, V., 1988 “SERVQUAL: a multi-item scale for measuring consumer perceptions of SQ”, *Journal of Retailing*, Vol. 64, spring, 12-40.

Parasuraman, A., Berry, L. and Zeithaml, V., 1991, “Perceived service quality as a customer-based performance measure: an empirical examination of organizational barriers using an extended service quality model”, *Human Resource Management*, 30 (3), 335-64.

Parasuraman, A., Berry, L. and Zeithaml, V., 1993, “Research note: more on improving SQ measurement”, *Journal of Retailing*, Vol. 69, Spring, 140-147.

Parasuraman, A., Berry, L. and Zeithaml, V., 1994, ‘‘Reassessment of expectations as a comparison standard in measuring SQ: implications for further research”, *Journal of Marketing*, Vol. 58, January, 111-124.

Qin, Hong, Prybutok, Victor R, 2008, “Determinants of Customer-Perceived Service Quality in Fast-Food Restaurants and Their Relationship”, *The Quality Management Journal;* 2008; 15, 2;

Reaz, M., Arun, T., 2006, "Corporate governance in developing economies: perspective from the banking sector in Bangladesh", *Journal of Banking Regulation*, Vol. 7 No.1/2, pp.94-105.

Robinson, S., 1999, “Measuring SQ: current thinking and future requirements”, *Marketing Intelligence & Planning,* 17(1), 21–32.

Rust, R. and Zahorik, A., 1993, “Customer satisfaction, customer retention and market share”, *Journal of Retail-ing*, 69(2), 193-215

Rust, R.T. and Oliver, R.,1994, *Service Quality*, SEGE Publications: London.

Singh, J., 1990, “A multifacet typology of patient satisfaction with a hospital”, *Journal of Health Care Management*, Vol. 10 No. 4, pp. 8-21

Sureshchandar, G.S., Rajendran, C., and Anantharaman, R.N., 2002, Determinants of customer-perceived service quality: a confirmatory factor analysis approach, *Journal of Services Marketing*, Volume 16 , Issue 1, Page 9 - 34

Sureshchandar, G.S., Rajendran, C., and Anantharaman, R.N., 2002, The relationship between service quality and customer satisfaction – a factor specific approach, *Journal of Services Marketing*, Volume 16, Issue 4, Page 363 - 379

Szymanski, D.M. and Henard, D.D., 2001, Customer satisfaction: a meta-analysis of the empirical evidence”, *Journal of the Academy of Marketing Science,* Vol. 29 No 1, pp. 16-35.

Teas, K., 1993, “Expectations, performance evaluation, and customers’ perceptions of quality”, *Journal of Marketing*, Vol. 57 No. 4, pp. 18-34

Yavas, U., Bilgin, Z. and Shemwell, D., 1997, “SQ in the banking sector in an emerging economy: a consumer survey”, *International Journal of Bank Marketing*, 15(6), 217–223.

Zahorik, A. and Rust, R.,1992, “Modeling the impact of SQ of profitability: a review”, *Advances in Services Marketing and Management*, JAI Press, Greenwich, CT, pp. 49-64.

Appendix 1.1

Correlation Matrix

RESPONSIVENESS

```
****** Method 2 (covariance matrix) will be used for this analysis ******

 R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)

                    Correlation Matrix

                Q4          Q5          Q11         Q12

Q4              1.0000
Q5               .7683      1.0000
Q11              .6576       .6360      1.0000
Q12              .6145       .5542       .6933      1.0000

        N of Cases =       205.0

Item Means           Mean    Minimum    Maximum      Range    Max/Min
Variance
                   4.1549     3.6683     4.3805      .7122     1.1941
.1076

Reliability Coefficients     4 items
```

Alpha = .8818 Standardized item alpha = .8832

ACCEPTED

ASSURANCE

```
  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)


                    Correlation Matrix

                Q6          Q8          Q9          Q10

Q6              1.0000
Q8               .4459      1.0000
Q9               .3886       .5531      1.0000
Q10              .3023       .4349       .4246      1.0000


        N of Cases =       202.0

Item Means           Mean    Minimum    Maximum      Range    Max/Min
Variance
                   4.5012     3.8911     4.8911     1.0000     1.2570
.2071


Reliability Coefficients     4 items

Alpha =   .7472           Standardized item alpha =   .7472
```

ACCEPTED

PHYSIACL COMFORT

******** Method 2 (covariance matrix) will be used for this analysis ********

```
  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)
```

Correlation Matrix

	Q3	Q7	Q13	Q15
Q3	1.0000			
Q7	.4564	1.0000		
Q13	.4067	.3573	1.0000	
Q15	.4951	.2286	.3915	1.0000

N of Cases = 205.0

Item Means	Mean	Minimum	Maximum	Range	Max/Min	Variance
	3.4902	2.8829	4.3415	1.4585	1.5059	.4165

Reliability Coefficients 4 items

Alpha = .7173 Standardized item alpha = .7183

ACCEPTED

SATISFACTION

****** Method 2 (covariance matrix) will be used for this analysis ******

R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Correlation Matrix

	Q53	Q54	Q55
Q53	1.0000		
Q54	.4268	1.0000	
Q55	.5770	.6085	1.0000

N of Cases = 207.0

```
Item Means            Mean     Minimum     Maximum       Range     Max/Min
Variance
                    4.2931      3.8019      4.9227      1.1208      1.2948
.3284


Reliability Coefficients     3 items

Alpha =   .7783           Standardized item alpha =   .7770
```

Accepted

Inappropriate behavior of employees re time (NEGLIGENCE OF EMPLOYEES)

```
  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)


                    Correlation Matrix

                Q45         Q46         Q47

Q45             1.0000
Q46              .7465      1.0000
Q47              .6025       .6841      1.0000


        N of Cases =       208.0

Item Means            Mean     Minimum     Maximum       Range     Max/Min
Variance
                    4.3365      3.9231      4.6538       .7308      1.1863
.1404


Reliability Coefficients     3 items
```

Alpha = .8636 Standardized item alpha = .8632

ACCEPTED

INAPPROPRIATE BEHAVIOR REAGRDING EXTRA FAVOUR TO SPECIAL CLIENTS

```
****** Method 2 (covariance matrix) will be used for this analysis ******

  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)


                    Correlation Matrix

                Q41         Q42

Q41             1.0000
Q42              .7214      1.0000


        N of Cases =       207.0

Item Means           Mean    Minimum    Maximum      Range    Max/Min
Variance
                   5.4662     5.3430     5.5894      .2464     1.0461
.0304


Reliability Coefficients     2 items
```

Alpha = .8359 Standardized item alpha = .8382

ACCEPTED

INAPPROPRIATE BEAHVIOR REGARDING TAKING PAYMENT

```
****** Method 2 (covariance matrix) will be used for this analysis ******


  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)


                    Correlation Matrix

                Q38         Q39

Q38             1.0000
Q39              .6972      1.0000
```

```
        N of Cases =       202.0

Item Means           Mean    Minimum    Maximum      Range    Max/Min
Variance
                   3.9629     3.7574     4.1683      .4109     1.1094
.0844


Reliability Coefficients     2 items
```

Alpha = .8215 Standardized item alpha = .8216

ACCEPTED

MODERN SERVICES

```
****** Method 2 (covariance matrix) will be used for this analysis ******


  R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)


                    Correlation Matrix

                Q25NEW      Q26NEW

Q25NEW          1.0000
Q26NEW           .6366      1.0000


        N of Cases =       195.0

Item Means           Mean    Minimum    Maximum      Range    Max/Min
Variance
```

```
                    1.9949     1.9282     2.0615      .1333     1.0691
.0089


Reliability Coefficients     2 items

Alpha =   .7759           Standardized item alpha =   .7779
```

ACCEPTED

Factor analysis

Component Matrix

	Component		
	1	2	3
Q38	.594	.365	.603
Q39	.586	.480	.525
Q41	.601	.535	-.457
Q42	.585	.449	-.571
Q45	.760	-.450	-.120
Q46	.746	-.533	-2.557E-02
Q47	.694	-.494	7.791E-02

Extraction Method: Principal Component Analysis.
a 3 components extracted.