Perceived Quality of Retail Banking Services with Customer Perspectives-A Vietnam Bank

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Abstract: This study used SERVQUAL Model to empirically examine the relationship between perceived quality of retailing banking services and customer satisfaction in a Vietnam Investment and Development Bank. The 218 customers of the bank were responded a survey questionnaire which covers all five dimensions of service quality as in SERVQUAL Model. Analysis results indicate that four perceived service quality dimensions of retail banking service (assurance, responsiveness, reliability and empathy) significantly impact on customer satisfaction. The other dimension (Tangible) has no significant contribution to customer satisfaction. Based on these results, bank's managers would focus on the four important dimensions to achieve high degree of customer satisfaction. Researchers in this field would use theses research findings as a good reference.

Key words: Perceived service quality, customer satisfaction, retail banking service, banking service quality, Vietnam, findings

INTRODUCTION

In the process of integration into the world economy, banks in Vietnam have to cope with many challenges, especially, the increasingly intensive competition. In order to survive and win in that competition, Vietnam banks are required to comply with international standard of banking services and focus more and more on their service quality to attract customers and increase profitability. Providing financial services to individuals or operating retail banking is one of the traditional activities to form the commercial banking system. Since, its establishment until now, the retail banking operation has played an important role creating a foundation for sustainable development for the commercial banks. Retail banking activities contribute to capital generation and a stable income for banks, risk diversification and they are less affected by business cycle. Besides, the retail banking activities contribute significantly to expand market share, improve competitiveness and stabilize bank's operation. This research taps on studying perceived service quality of retail bank in relation with customer satisfaction using data collected in a Vietnam Investment and Development Bank.

After reviewing literature and building research model, questionnaire was designed in Vietnamese. About 27 question items were based on SERVQUAL scales with some modifications with three main parts: part 1 asks participants about which services they used in the bank and some demographic information; part 2 and 3 are designed to collect assessments from customers about perceived service quality of retail banking service and their satisfaction level. This measurement bases on a 5-point Likert scale (1 = Strongly disagree, 2 = Somewhat disagree, 3 = Neither agree nor disagree, 4 = Somewhat agree, 5 = Strongly agree). The 250 questionnaires were given to customers at the bank's counter teller. Questionnaires were provided to customers who have free time and be ready to answer survey questions. It was expected to have a sample size of more than 135 responses to satisfy the requirement of having at least 5 responses per 1 observed variable (Hair *et al.*, 1998).

Data collected will firstly be tested the scale reliability and validity. Then, regression analysis will be taken to test the relationship between perceived quality of retail banking service and customer satisfaction. At first, data will be input and screened to identify missing samples. After rejecting all invalid samples, data will be encoded in SPSS 16.0. Then, reliability analysis, exploratory factor analysis will be conducted before testing research hypothesis.

Literature review
Service quality and customer satisfaction
Service quality: Service is an activity or advantage which a business can offer to customers to establish, strengthen and expand long term relationship and cooperation with

customers. Kotler *et al.* (2005) considered service as a product consisting of any activity, benefit or satisfaction that one party can offer to another for sale and it is essentially intangible and does not result in the ownership of anything.

The American society for quality gave the definition of quality as "the totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs" (Heize and Render, 2009).

Service quality has been commonly defined as the extent to which a service meets customer's needs or expectations (Lewis and Mitchell, 1990; Asubonteng *et al.*, 1996; Wisniewski and Donnelly, 1996). It is a service's ability to perform its functions including the overall durability, reliability, precision, ease of operation and repair and other valued attributes. It also measures the gap between customer expectation and their perception after using the services (Parasuraman *et al.*, 1985, 1988). This study just focuses on retailing banking service (banking services for individuals). Its quality is the ability to satisfy the customer's requirements and needs.

In service sector quality evaluations are not made solely on the outcome of a service but also on the process of service delivery. In the field of researching on service quality and customer satisfaction, the researchers have done many studies systematically in many years. They built and proposed some popular models such as: service quality five gap model (Parasuraman *et al.*, 1985); technical and functional quality model (Gronroos, 1984); SERVQUAL Model (Parasuraman *et al.*, 1988), SERVPERF Model (Cronin and Taylor, 1992), etc., among these models, SERVQUAL is often considered as the most commonly applied model in a numerous empirical studies across various service industries and in many countries. SERVQUAL Model including 5 factors and 22 observed variables fully reflected specific factors (characteristics) of the service quality. It is also affirmed that SERVQUAL scale is a complete full scale on service quality and can be used for all types of different services, although, sometimes it is still needed to re-express or add more items. The five factors of the model are.

Reliability: Expressed through the capability to deliver dependable, accurate and consistent service right at the first time.

Responsiveness: Expressed through the willingness or readiness of the company's staffs to provide service.

Assurance: Expressed through the professional qualifications and the polite, affable attitudes of the staffs in serving customers.

Empathy: Expressed through the caring and attention to customers.

Tangibles: Expressed through the appearance, closing of the staffs or the facilitie's conduciveness to service.

Customer satisfaction: Customer satisfaction is considered as the foundation in marketing concepts relating to need satisfaction and customer expectation (Spreng *et al.*, 1996). Satisfying customers is a vital factor to sustain long term success in business and suitable business strategies to attract and maintain customers (Zeithaml *et al.*, 1996). There are different viewpoints on the evaluation of customer satisfaction. Customer satisfaction is their emotion response to its evaluation of the perceived discrepancy between their priorexperiences with expectation (Parasuraman *et al.*, 1988; Spreng *et al.*, 1996; Vavra, 2002).

It is customer's own experiences of a service where the outcome has been evaluated. Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. If the product performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted (Kotler *et al.*, 2005). According to Kotler and Keller (2006), customer satisfaction refers to a person's feeling when they compare the perception of the product to their expectations.

Relationship between service quality and customer satisfaction: Many studies on customer satisfaction in service field have been conducted and they generally concluded that service quality and satisfaction were two distinguished concepts (Bitner, 1990; Boulding *et al.*, 1993; Lassar *et al.*, 2000). Oliver (1993) suggested that service quality affects to the level of customer satisfaction. That is, the service quality is determined by many different factors is a determining factor of satisfaction (Parasuraman *et al.*, 1985, 1988). Emari *et al.* have stressed the positive relationship between service quality and customer satisfaction.

If the service providers provide customers quality products that fulfil their demands, the business has initially made customers satisfied. Therefore, to improve customer satisfaction, service providers must improve
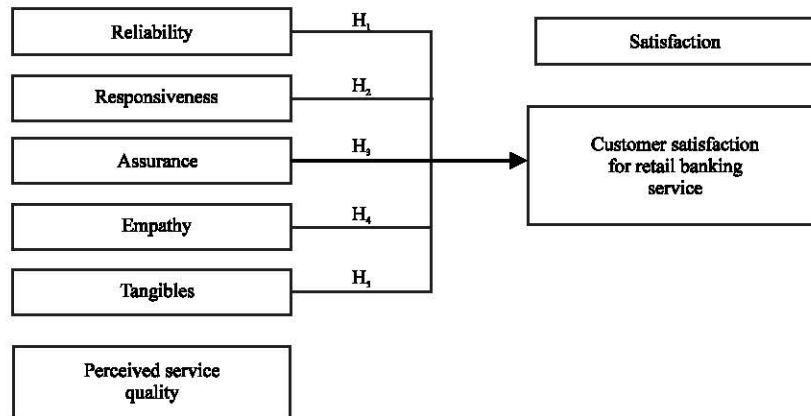
Fig. 1: The researcg model

service quality. In other words, service quality is created first and then decides customer satisfaction. Cause and effect relationship between these two factors is the critical point in most researches on customer satisfaction. In the study of the relationship between these two factors. Spreng and Mackoy (1996) also stated that service quality is the cause of customer satisfaction.

Purpose of the study and research model and hypothesis: This study used SERVQUAL Model to empirically examine the relationship between perceived quality of retailing banking services and customer satisfaction in a Vietnam Investment and Development Bank. The SERVQUAL scale with some customizations was used to study customer satisfaction in perceived quality of retail banking service. This relationship is modeled as Fig. 1.

Five components of perceived service quality are reliability, responsiveness assurance, empathy and tangible. Reliability is bank's ability to perform services accurately and timely. Responsiveness is bank's willingness to provide services and help customers. Assurance means the trust in bank's service, employee's professional skills and serving attitude. Empathy is the bank's attentions and cares to customers. Tangible refers to the appearance of staffs, physical facilities, materials providing for customers of the bank. From literature review, there are five hypothesis being proposed for this research as following:

- H_1: better reliability is perceived by the customers, better satisfaction the customers get
- H_2: better responsiveness is perceived by the customers, better satisfaction the customers get

- H_3: better assurance is perceived by the customers, better satisfaction the customers get
- H_4: higher empathy is perceived by the customers, better satisfaction the customers get
- H_5: better tangible is perceived by the customers, better satisfaction the customers get

MATERIALS AND METHODS

Data description: From the survey, the reseacher got 235 answered questionnaires and in which there were 218 valid ones. The rest are not fulfilled information, so, would be removed from the data to analysis. After rejecting all invalid samples, data will be encoded in SPSS 16.0. The sample structures according to classification criteria are as follows: there are 16 customers at the age from 18-25 (7.34%), 100 customers at the age from 26-35 (45.87%), 65 customers at the age from 36-50 (equivalent to 29.82%) and 37 other ones belong to the group above the age of 50 (16.97%). In the sample, there are 113 female customers (makes up 51.83%) and 105 male customers (equivalent to 48.17%). When classifying answered questionnaire by education level, the results show that there are 11 persons above university-level that makes up 5.96%, 122 persons at university-level (55.96%), 59 persons at intermediate and college-level (27.06%), 13 persons at high school-level (5.96%), other 13 persons (5.96%) at other than these classified education level.

Reliability analysis: Before doing explore factor analysis, the variables would be tested their reliability to delete variables which do not ensure the reliability and other unnecessary variables from the research model. The testing standards here are that Cronbach's alpha

Table 1: Reliability analysis results

Components	No. of items	Cronbach's alpha
Reliability	5	0.881
Responsiveness	4	0.870
Assurance	4	0.846
Empathy	5	0.894
Tangible	4	0.881
Satisfaction	5	0.824

Table 2: Regression analysis

Model	R	R^2	Adjusted R^2	SE of the estimate
1	0.805	0.649	0.637	0.39638

coefficient must be at least 0.6 (Hair, 2006) and the total correlation coefficient of variables also must be at least 0.3. All variables which do not ensure these standards will be removed from the model and are not processed in the step of doing EFA. The results from testing the reliability of factors and dependent variable in the research model in Table 1 shows that, all factors have Cronbach's alpha coefficient >0.8, the total correlation coefficients of them are <0.3. This proves that the research scales ensure their reliability and all observed variables of factors will be used to analyse in the next step.

Exploratory factor analysis: After being tested their reliability and suitability by Cronbach's alpha coefficient and the total correlation coefficient, the observed variables will be processed by exploratory factor analysis. To ensure the suitability with actual data, the testing standards used here are: KMO coefficient (factor loading coefficient) must be >0.5, the variance extracted must equal to at least 50% (Hair, 2006). The Principal components analysis and Varimax with Kaiser normalization rotation method will be applied to ensure the minimum number of factors. The independent variables are analyzed simultaneously and the dependent variable is analyzed separately.

The results from testing EFA of independent variables are as follows: in KMO and Bartlett's test, KMO value measuring the sampling adequacy equals to 0.934 (>0.5) with significant value is 0.000. The variance extracted is 67.065>50%, observed variables form three new factors and these factors explain 67.065% of the variability of the data set. These numbers confirm the validity of data for exploratory factor analysis.

For dependent variable, the results showed that the observed items of the dependent variable form only one factor, KMO coefficient = 0.832>0.5, Bartlett-test has p = 0.000<0.05, the variance extracted 59.109>50%. So, data are valid and could be use for further analysis.

Regression analysis: The correlation analysis was conducted and the researcher found the significant correlation between the customer satisfaction and all of 5 service quality dimensions. In addition, there were high correlation coefficients among the five perceived service quality dimensions.

Then, regression analysis is conducted to examine the relationship between perceived quality of retailing banking service and customer satisfaction and to test the research hypothesis. Multiple regression model is constructed with reliability, responsiveness assurance, empathy and tangible as the independent variables and customer satisfaction as the dependent variable.

In Table 2, adjusted R^2 value of 0.637 indicates that 63.7% of the variance in customer satisfaction can be explained by five variables of perceived quality of retail banking service, namely reliability, responsiveness assurance, empathy and tangible. Regression function is as following:

Satisfaction = 0.561+0.139*Reliability+
0.283*Responsiveness+0.399*Assurance+
0.086*Empathy+0.151*Tangible

Considering beta coefficient of each independent variable and its significant level (at the 5% significant level), Table 2 and 3 show that tangible has significant value of 0.183 (>0.05), thus, hypothesis H_5 is not supported. That means tangible does not reliably explain customer satisfaction. The other 4 intangible components of perceived service quality including reliability, responsiveness assurance and empathy show the significant impact on customer satisfaction (with significant values <5% significant level). Among them assurance shows the strongest impact on customer satisfaction with highest coefficient value of 0.399. Responsiveness, reliability and empathy express the relative smaller impact with coefficient values of respectively, 0.283, 0.139 and 0.086. That means the other four hypothesis are supported by the data as summarized in Table 4.

So, by data selected from customers of an Investment and Development Bank in Vietnam, this research showed that four components of perceived quality of retail banking service (reliability, responsiveness assurance and empathy) have positive relationship with customer satisfaction. Tangible component does not statistically reliably explain customer satisfaction.

Table 3: Regresion analysis coefficients

Coefficients[a] models	Unstandardized coefficients (B)	SE	Standardized coefficients (β)	t-values	Sig.	Collinearity statistics	
						Tolerance	VIF
(Constant)	0.745	0.347		2.147	0.033		
Reliability	0.139	0.054	0.136	2.547	0.012	0.769	1.300
Responsiveness	0.283	0.079	0.221	3.574	0.000	0.572	1.748
Assurance	0.399	0.081	0.347	4.953	0.000	0.445	2.247
Empathy	0.086	0.065	0.105	1.335	0.027	0.609	1.642
Tangible	0.151	0.068	0.080	2.221	0.183	0.984	1.017

Table 4: Hypothesis tested results

Hypothesis	Results
H_1: better reliability is perceived by the customers, better satisfaction the customers get	Supported
H_2: better responsiveness is perceived by the customers, better satisfaction the customers get	Supported
H_3: better assurance is perceived by the customers, better satisfaction the customers get	Supported
H_4: higher empathy is perceived by the customers, better satisfaction the customers get	Supported
H_5: better tangible is perceived by the customers, better satisfaction the customers get	Not supported

RESULTS AND DISCUSSION

This research adopted SERVQUAL Model to test the relationship between perceived quality of retail banking service and customer satisfaction in Vietnam context. A questionnaire with 27 question items based on SERVQUAL Model with some modifications was used to collect data for testing proposed five hypothesis.

The perceived service quality with 5 dimensions is proved to be a good factor in explaining customer satisfaction of retail banking service at the studied bank. Adjusted R^2 value of 0.637 indicates that these five service quality components can explain 63.7% of the variance in customer satisfaction. The remaining 36% can be explained by other factors. The regression function was:

$$Satisfaction = 0.561 + 0.139*Reliability +$$
$$0.283*Responsiveness + 0.399*Assurance +$$
$$0.086*Empathy + 0.151*Tangible$$

All hypothesis for these components are supported except the one with tangible component. Regression results show that four factors (including reliability, responsiveness assurance and empathy) have impacts on customer satisfaction. Of which assurance has strongest impact on customer satisfaction with standardized coefficient of 0.399. Then, the rest in the order of impact level are responsiveness, reliability and empathy component with standardized coefficient of 0.283, 0.139 and 0.086, respectively.

Assurance factor refers the trust in bank's service, trust in employee's professional skills as well as serving attitude. Regression result suggests that the bank should firstly focus on improving this assurance dimension. This could be achieved by applying unified working process and code of conduct for the bank's staffs. The aim of building an unified workflow and code of conduct for the staffs is to create professional attitudes of the staffs in serving their customers. That will help bring them safe feelings when using banking services and create customer's trust on the bank.

The second important factor effecting customer satisfaction is the bank responsiveness ability. This factor refers to bank's willingness to provide services and help customers. For improving this dimension, the bank should encourage and motivate employees using different methods to increase their passion and interest in working such as good working environment, attractive compensation policy, good promotion policy, etc.

Reliability is the next dimension that significantly contributes to customer satisfaction. Improving this factor relies much on employee's professional qualifications and skills. So, the bank should focus on not only attracting and training talents but also on continuously improving service processes and working procedures to ensure bank's ability to perform services accurately and at the right time.

Last but not least, a bank also needs to improve its empathy component. Empathy refers to bank's attentions and cares to each individual customer. In order to do so, the bank should deeply understand customer's specific needs and help them to choose the most suitable services. In addition, banks should focus on caring customers through different activities like sending customers best wishes or gifts in some special occasions such as customer's birthday, new year, etc.

From the research result, Tangible is the only one non-significant impact factor on customer satisfaction. Tangible refers to the appearance of bank's staffs, physical facilities at the bank, materials providing for customers. This result may be explained that now a days every bank is equipped well with good and modern office

and facilities, beautiful and useful materials for customers and bank's staff has good uniform and professional appearance. That means tangible is no longer a factor making any difference for any bank. So, it has no significant effect on customer satisfaction. Bankers could base on these findings to better allocate its resources to the important components to achieve higher customer satisfaction.

CONCLUSION

This research examined the relationship between perceived quality of retail banking service and overall customer satisfaction in a bank in Vietnam. Based on SERVQUAL Model, this research conducted questionnaire survey with observed items classified into 5 components of perceived service quality and 1 component of customer satisfaction. With 218 valid responses, the analysis results showed that there is a strong positive relationship between perceived service quality components and customer satisfaction about retail banking service.

Regression results show that four perceived service quality factors (including reliability, responsiveness assurance and empathy) have positive impacts on customer satisfaction with significant level at 5%. Of which assurance has strongest influence on overall customer satisfaction. The next influencing factor is responsiveness component. The rest in the order of impact level are reliability and empathy respectively. Tangible is the only factor that does not significantly contribute to customer satisfaction. This result indicates that perceived service quality confirms its role as an important driver of customer satisfaction. Bankers could base on these findings to better allocate its resources to the important components to achieve higher customer satisfaction. Researchers also could use this study as a good reference in researching service quality and customer satisfaction.

SUGGESTIONS

This study used survey data conducted in one branch the investment and development bank in Vietnam. Some analysis and conclusions in this study can be improved if survey was conducted in some other offices from different regions or from other banks in Vietnam. Additionally, some demographic variables may be considered as controlling variables to discuss the different impacts of service quality among different sample groups on customer satisfaction. These limitations could be used as suggestions for further studies.

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