Examining The Effects of Service Quality on Customer Satisfaction: A Case of Vietnamese Commercial Banks

Nguyen Hoai Nam[1]; Pham Thu Trang[2*]

[a] Deputy Head of Business Administration Faculty, Banking Academy of Vietnam, Vietnam

[b] Lecturer of Business Administration Faculty, Banking Academy of Vietnam, Vietnam.

Corresponding author: trangpt@hvnh.edu.vn

Abstract:
The purpose of the research was to examine the relationship between service quality and customer satisfaction in a Vietnamese commercial banks.. In this study, we surveyed the customers of Vietnam JointStock Commercial Bank for Industry and Trade. Survey data of260 customers showed that five dimensions of servicequality including reliability, assurance, tangibles,empathy, and responsiveness predicted customer satisfaction. The authors conclude with a discussion of the results and limitations of the research.

Keywords: Service quality, customer satisfaction, Vietnam Joint Stock Commercial Bank for Industry and Trade.

I INTRODUCTION

In the context of intense competition, customer satisfaction plays a crucial role in gaining competitive advantages for the banks. Customer satisfaction leads to customer retention and market share increases of the bank (Rust &Zahorik 1993). Additionally, customer satisfaction predicts customer loyalty (Siddiqi 2011; Hallowell 1996; Munusamy, Chelliah&Mun 2010; Shanka 2012), and word - of - mouth (Casaló, Flavián&Guinalíu 2008). Last but not least, customer satisfaction results in the profitability of the bank (Hallowell 1996; Lee & Hwan 2005).

There are numerous researches on the factors affecting customer satisfaction. These factors include service quality (Lassar, Manolis& Winsor 2000; Munusamy, Chelliah&Mun 2010; Shanka 2012; Siddiqi 2011); corporate social responsibility (McDonald & Rundle-Thiele 2008); employee satisfaction (Loveman 1998); customer support service (Yoon 2010); and the expectations and perceived performance (Johnson, Nader

&Fornell 1996). These studies demonstrate that banks can endeavor to increase customer satisfaction.

According to data from the World Bank, the number of accounts at the official banking system in Vietnam in 2011 accounted for about 21.37% of total adults. In 2014 this rate increased by 30.86%, which is not a high rate compared to ASEAN countries (World Bank 2018). The number of bank branches over 100.000 people ranged from 3.08 to 3.8 from 2008 to 2017 (World Bank 2019).

Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) was licensed on the third of July, 2009 by the State Bank of Vietnam. Its charter capital is VND 37,234,045,560,000, equivalent to USD 1,700 million (Vietnam Joint Stock Commercial Bank for Industry and Trade 2019). VietinBank is regarded as the largest charter capital bank in Vietnam (Nguyen Thi Nga & Nguyen Ngoc Huyen 2019). However, VietinBank is facing intense competition with 31 domestic banks, and

49 foreign bank branches in Vietnam (State Bank of Vietnam 2019). Thus, it is crucial to enhance customer satisfaction for Vietinbank.

In this research, the authors inspire research on the relationship between the service quality and customer satisfaction of VietinBank. In particular, the authors examine the relationship between the five components of service quality construct and customer satisfaction. Previous studies show that the impacts of these five service quality characteristics to customer satisfaction are various in different samples. For example, for Malaysian consumers, the greatest predictor of customer satisfaction is reliability; the second-largest impacts are tangible, empathy, and responsiveness; and the most insignificant influencer is assurance (Amin & Isa 2008). A study of Greece customers reveals that reliability and tangible are the greatest impacts, and the aggregate variable encompassing empathy and responsiveness is the smallest predictor (Arasli, Mehtap-Smadi&TuranKatircioglu 2005). With Ethiopia customers, only tangible and reliability impact on customer satisfaction, the effects of the remaining factors are not statistically significant (Shanka 2012). Knowing how each factor of five service quality variables impacts customer satisfaction is important in determining focus solutions of the banks. Therefore, the authors study the impact of service quality on customer satisfaction of Vietinbank.

II LITERATURE REVIEW

Service quality is measured by the gap between customer expectation and performance (Lewis & Booms 1983). Based on the ten factors proposed by Parasuraman, Zeithaml and Berry (1985), Parasuraman, Zeithaml and Berry (1988) develops the service quality model including five dimensions: reliability, assurance, tangibles, empathy, and responsiveness. Reliability refers to the ability to perform the promised service dependably and accurately. Assurance is defined as the knowledge and courtesy of employees and

their ability to convey trust and confidence. Tangibles refer to the appearance of physical facilities, equipment, personnel and communication materials. Empathy is the extent to which the caring and individualized attention are provided to customers. Responsiveness is defined as the willingness to help customers and to provide prompt service.

Customer satisfaction is defined as the extent to which the performance is equal to or exceed customer expectations (Oliver 1980). If the customer expectation is not met, the customer is dissatisfied. The relationship between service quality and customer satisfaction has been studied. In the study of Amin and Isa (2008), all five factors of service quality have positive impacts on the overall service quality, then overall service quality influences customer satisfaction. In another study, reliability, tangible and a composite variable including responsiveness and empathy have positive relationships with customer satisfaction (Arasli, Mehtap-Smadi & Turan Katircioglu 2005). Besides, there is research that shows that only reliability and tangible predict customer satisfaction(Shanka 2012). In the case of VietinBank, the authors hypothesize that all five factors of service quality impact customer satisfaction. So we hypothesize as follow:

> *Hypothesis H_1: Reliability positively impacts the customer satisfaction of VietinBank*
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> *Hypothesis H_2: Assurance has a positive impact on the customer satisfaction of VietinBank*
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> *Hypothesis H_3: Tangible has a positive impact on the customer satisfaction of VietinBank*
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> *Hypothesis H_4: Empathy impacts customer satisfaction of VietinBank*
>
> *Hypothesis H_5:Responsivenesspositively impacts the customer satisfaction of VietinBank*

III METHODOLOGY

Sample

The authors translated the questionnaire from English to Vietnamese and then sent the Vietnamese version to ten VietinBank customers. We asked the ten customers to comment on the translation and wording. Based on those comments, the author revised and created an official paper-based questionnaire. Then, we created an online vision of the questionnaire on Google form. Next, we asked a Vietinbank customer service center staff to send the link to the questionnaire form to Vietinbank customers via their emails. From December 2018 to February 2019, we received 260 answers[1-25].

Of the total of 260 respondents, there were 128 male respondents, accounting for 49.20%. The age of respondents was from and over 18 years old. The largest group among respondents was the group between 30 and 40 years old, accounting for 31%. This was followed by the group between 25 and 30 years old, accounted for 29.23% and a group of 18 to 25 years which represented 20.38%. In the group aged 50 and above, there were only 2 people responded to the questionnaire.

Among respondents 103 people were officials, 53 answerers were managers, the rests were students and freelancers. The majority of respondents had income equal to or over VND 7 million, with 104 people earning between VND 7 million and VND 15 million, and 97 people earning VND 15 million or more. Only 23% of respondents had income less than VND 7 million.

Measure

Reliability was measured using the 5-item scale adapted from the study of Parasuraman, Zeithaml and Berry (1988). An example of reliability items was " *When VietinBank promises to do something by a certain time, it does so*". The Likert author used in this study was Likert 5. Respondents were asked to comment on how they agree to 5 arguments with *1 = completely disagree and 5 = completely disagree*. The alpha coefficient for this scale was 0.848.

Assurancewasmeasuredusing the scale developed byParasuraman, Zeithaml and Berry (1988). The answers decided the level of their consent on the 4 arguments with *1 = completely disagree and 5 = completely disagree*. An example ofitems of assurance scale was" *VietinBank keep its record accurately*".The alpha coefficient for this scale was 0.859.

Tangibles were measured by the 4-item scale proposed byParasuraman, Zeithaml and Berry (1988). Tangibles scale includes4 variables. The example of the four variables was*" VietinBank has up-to-date* equipment". Likert used wasLikert 5. The alpha coefficient for this scale 0.915.

Empathy wasmeasured by the scale adopted from the study of Parasuraman, Zeithaml and Berry (1988). The scales consisted of 5 items. Respondents were asked about their consent level with 5 arguments. An example of items on this scale was"*Employees of VietinBank are polite*". The alpha coefficient for this scale 0.817

Responsivenesswas measured by the scale adopted from the study of Parasuraman, Zeithaml and Berry (1988). An example of four items in this variable was "*Employees of VietinBank are not always willing to help customers*". The respondents evaluated their agreed level with 4 commentson the responsiveness scale. The alpha coefficient for this scale 0.890.

Customer satisfaction was measured by the scale adapted from the research of Levesque and McDougall (1996). The customer satisfaction scale includes 3 items. An example of these three items was*" Considering everything, I am extremely satisfied with VietinBank*". The alpha coefficient for this scale 0.889.

IV RESULTS

The objective of the research aims to explore the relationship between aspects of service quality and customer satisfaction. Table 1 shows mean, standard deviation, min, max, and the correlation between variables. As ispresented in table 1, the average values range from 3.0362 to 3.7645, the

standard deviations rangefrom 0.77742 to0.92917.

The correlation between the independent variables and the dependent variable is statistically significant. Except for the reliability, the remaining independent variables are highly correlated with thedependent variable. The correlations are between 0611 and 0705. Reliability correlateswith customer satisfaction at medium level ($r = 0.4644$, $p < 0.05$) [26-28].

Table1
Mean, standard deviation, min, max, and correlation

	Reliability	Assurance	Tangibles	Empathy	Responsiveness	Customer satisfaction
Reliability						
Assurance	0.437**					
Tangibles	0.194**	0.463**				
Empathy	0.466**	0.534**	0.401**			
Responsiveness	0.359**	0.467**	0.520**	0.473**		
Customer satisfaction	0.464**	0.705**	0.620**	0.624**	0.611**	
Mean	3.0362	3.2894	3.1856	3.1192	3.1144	3.7654
Standard deviation	0.82514	0.79703	0.92917	0.83950	0.77742	0.85404
Min	1.20	1.00	1.25	1.00	1.00	1.33
Max	4.80	5.00	4.75	5.00	5.00	5.00

Note: Pearson one- tailed correlation
N = 260
***: p < 0.05*Table 2
Results of regression analysis
(dependent variable is customer satisfaction)

	ß	Se	Sig	VIF
Sex	0.082	0.060	1.177	1.032
Age	0.02	0.029	0.490	1.022
Income	-0.049	0.039	0.208	1.020
Occupation	0.024	0.026	0.345	1.012
Reliability	0.115	0.042	0.007	1.387
Assurance	0.365	0.049	0.000	1.731
Tangibles	0.249	0.040	0.000	1.557
Empathy	0.200	0.046	0.000	1.672
Responsiveness	0.195	0.049	0.000	1.651
R^2	0.698			
Adjusted R^2	0.687			
F	64.218			
Sig (F)	0.000			
Durbin – Watson	1.030			

Note: n = 260;

As is showed in table 2, independent variables explain 69.8% of the varianceof the dependent variable. Dublin – Watson index is1.030 shows that there is no autocorrelation detected in the sample. The VIF (Variance inflation factor) indexes range from 1.020 to 1.731, showing that there is no multicollinearity in the regression.

Control variables including sex, age, imcome, and occupation do not impact customer satisfaction, while service quality variables statiscally influence customer satisfaction. In 5 dimensions of quality of service, assuarance hasthe greatest impact on customer satisfation (ß = 0365, p = 0.000), followed by the tangibleswith ß = 0.249 (se = 0.040, p = 0.000). Empathy and responsiveness have similar impacts with ß = 0.200 (se = 0.046, p = 0.000) and ß = 0.195 (se = 0.049; p = 0.000), respectively. The least influencer is reliability with ß= 0.115 (se = 0.042, p = 0.007).

V DISCUSSION AND LIMITATIONS

Discussion

The objective of the study is to find out the impact of each aspect of service quality, so as to limit the solutions to improve customer satisfaction. The result shows that servicequality explains approximately 70% of the variance of customer satisfaction. This suggests that in order to improve customer satisfaction, VietinBank should focus on servicequality.

The question is: "What factors should we focus on?" The results of the study show that the greatest impact assurance, followed by factors such as tangible, empathy, responsiveness and reliability.

The best way to enhance customer satisfaction is to increase all 5 variables of service quality. However, with the results of this research, Vietinbank should focus on the assurance and the tangible. Assurance is defined as the knowledge and courtesy of employees and their ability to convey trust and confidence (Parasuraman,

Zeithaml & Berry 1988). Assurance can be increased through training activities. Training knowledge and skills for employees help them improve their confidence and build trust from customers.

Tangibles refer to the appearance of physical facilities, equipment, personnel and communication materials (Parasuraman, Zeithaml & Berry 1988). Investing in the equipment, infrastructure at the bank branches increases the perception of customers about the tangible of the bank, thereby increasing the satisfaction of customers.

Limitations

The bank when using the result of this research should be aware of the limitations of the study. The limitations of the study are as follows. Firstly, independent variables and dependent variables are collected on the same questionnaire, which leads to the common variancemethod. The relationship between the independent variable and the dependent variable can be inflated. Secondly, the sample used has a bias of income and age. Therefore, researchers and practitioner when using research results should consider the sample bias. Thirdly, the samplethat we used is a convenient sample, if future studies use random samples, theirresults will be more meaningful in generalization of the results

Despite the above limitations, authors believe that this study ishelpful for Vietnamese commercial Banks.

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