

## Assessing the Impact of Service Recovery Strategies on Customer Satisfaction in the Hospitality Industry

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### Abstract

Studying customer Opinion of service quality in the banking industry holds immense importance for both financial institutions and the customers they serve. Firstly, understanding customer perception allows banks to identify areas of strength and weakness in their service delivery. This insight enables them to make targeted improvements in the dimensions that matter most to their customers. For example, if customers perceive a lack of empathy in their interactions, banks can focus on training and developing their staff to be more empathetic, ultimately enhancing the customer experience. Secondly, the study of customer perception helps banks gauge their competitive position in the market. In a highly competitive industry like banking, where customers have numerous choices, having a clear understanding of how customers perceive the quality of their services can be a strategic advantage. Banks can use this information to differentiate themselves from competitors and attract and retain customers. Moreover, customer perception studies provide valuable feedback that can be used for benchmarking against industry standards and best practices. Banks can compare their performance with that of peers, leading to industry-wide improvements in service quality. Additionally, a positive perception of service quality can directly impact customer loyalty and retention.

**Keywords:** *Customer perception, Banks, Reliability, Assurance, Responsiveness and credibility.*

### Introduction

Banking institutions play a major role in every economic activity. The health of a country's financial sector is always crucial to the nation's overall growth and development. When a robust banking system is in place, people's savings can be pooled and used for a wide range of investment opportunities [7]. Because of this, people can put their savings to work for them. In this view, financial institutions, and banks in particular, are the basic drivers of economic growth and prosperity. The smooth functioning of modern business and industry is largely dependent on these financial services. Currently, consumers can use financial services from any location in the country. An important role that banks play is facilitating the expansion of a country's economy

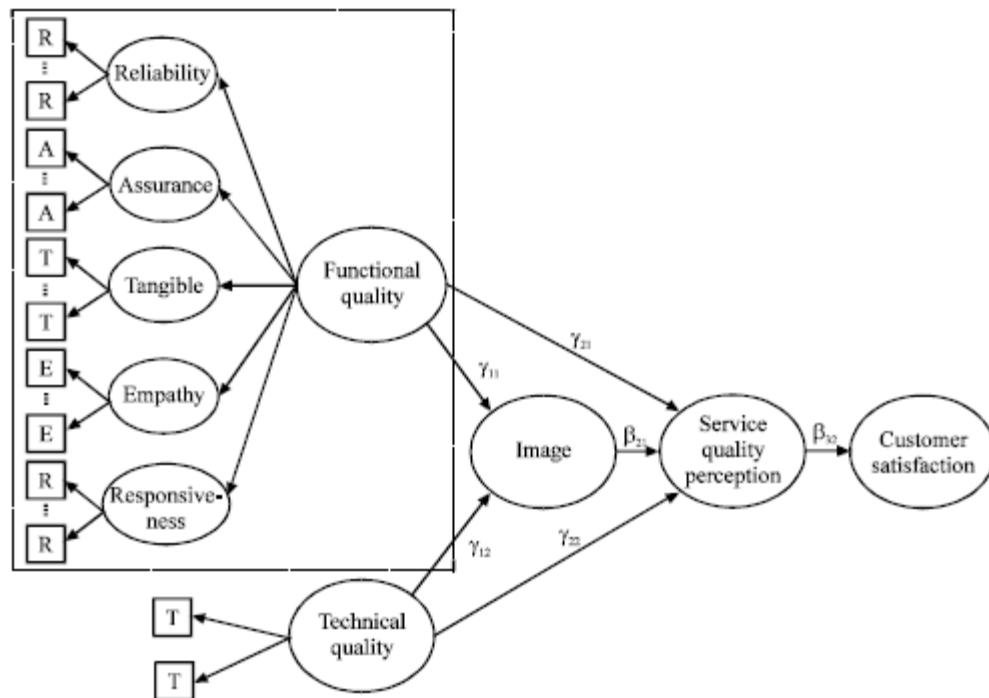
through the provision of financial services. On top of that, banking has become an integral part of people's daily life, so they can't ignore it [3]. Financial sector activities, such as those of banks and other financial institutions, are vital to human survival. E-banking, sometimes known as "online banking," is the process of doing financial transactions online. With the proliferation of personal computers and online services, financial institutions have realised that e-banking is a viable option for satisfying their customers' needs. Reducing the amount of time customers spend interacting with bankers is a major perk of this system, especially in today's more competitive banking environment where every penny counts. When compared to traditional banking, online banking may help save money and better meet customer needs. **Reliability** is perhaps the most critical dimension. Customers expect their banks to handle their financial transactions accurately and securely [1]. Any errors or disruptions can shatter trust and damage the bank's reputation. **Assurance** is also vital. Customers want to know that the bank's employees are knowledgeable, professional, and capable of addressing their financial concerns. Assurance instills confidence in the bank's ability to safeguard their financial interests. **Tangibles** include the physical aspects of bank branches and online interfaces. Clean and well-maintained facilities, user-friendly digital platforms, and professional appearances of bank staff contribute positively to customer perception. **Empathy** is another crucial dimension. Customers appreciate when bank employees show understanding and attentiveness to their unique financial needs and concerns. This personalized approach fosters trust and loyalty. **Responsiveness** plays a significant role in customer perception. Quick and efficient service, whether in resolving issues or processing transactions, is highly valued. Slow or unresponsive service can lead to frustration and dissatisfaction. In summary, customer perception of service quality in banking is influenced by these dimensions. Banks that excel in reliability, assurance, tangibles, empathy, and responsiveness are more likely to earn the trust in the financial industry.

### Theoretical framework of the Study

Increased use of IT can be attributed to the push for globalization, privatization, and liberalization. The benefits it is thought to provide, such as faster response times, lower costs, and easier maintenance, are largely responsible for its popularity. Banks have realised they can win over and keep customers by providing superior digital services [5]. There has been a recent uptick in recognition of service quality as a major component in deciding the success or failure of a business. Banks are shifting their focus away from traditional service quality and onto the quality of their online services across the board. Customers in the modern era of information technology are understandably worried about the quality of e-service provided by their respective banks. Researchers have begun efforts to maximise efficiency and reduce costs by factoring in the quality of the institutions' provided e-services [2]. The increasing number of financial institutions that offer online banking has made it difficult for consumers to zero in on the one that best suits their needs. The varying

preferences of online shoppers present a challenge in this area. Among the most important factors in determining a company's success in the e-commerce space is the quality of the service they provide to their customers [1]. E-banking's popularity is on the rise because it gives clients the freedom to manage their money from any computer, anywhere in the globe.

Figure: 01: Theoretical framework of the Study



Source: <https://www.google.com/url>

Customers can expect fast, efficient, and reasonably priced services from this platform because they can be customized to meet their unique needs. It is clear from the data presented in the Global Mobile Wallets Reports 2019 that customers, despite their growing proficiency with digital technologies, continue to show a strong preference for the payment instruments and commodities given by their own banks over those provided by third-party businesses. Concerns about security flaws and building trust could be to blame for this attitude. Multiple layers of protection and established protocols contribute to the unprecedented security of online banking. Therefore, in order for banks to remain competitive, it is critical that they expand and continuously improve their remote banking services. In order to better serve their customers and meet their ever-changing demands, most traditional banks now offer online banking services as part of their regular offerings [3]. Delivering high-quality online services is more crucial than ever due to the way smartphones and other digital technologies have transformed the financial landscape. For its E-service quality management system, the bank relies on a central database with web access. The bank's internet-accessible services are presented in full on the menu. Depending on the selected service's parameters, the interaction will proceed in a certain way [11].

Alternative banking delivery mechanisms, such as ATM networks, are gradually replacing the traditional branch model. The proposed idea would create a borderless organisation that makes financial services available 24/7 through multiple channels. The word "intranet" is used to describe the network architecture that links remote locations within an organisation to one another and to the headquarters. The groups who construct these networks have exclusive use of them. As a real-world example of an intranet application, SWIFT is instructive.

### **The path to inquiry**

The aim of this research is to learn more about and comprehend the driving forces behind this inquiry. In recent years, e-banking, or electronic banking, has gained popularity in the Indian context. Financial institutions and their customers alike have reaped financial rewards from the widespread use of electronic banking (E-Banking) [9]. However, more creative answers are required because electronic banking still has a ways to go before it is completely problem-free. Security, privacy, and trust issues are just a few of the concerns that have delayed the widespread adoption of online banking [4]. These difficulties are exacerbated by a lack of consumer knowledge about e-banking, an unsupportive infrastructure, and a poor level of computer competence among present personnel. The Indian government is working with a number of public banks and financial institutions to create a secure, reliable, and protected electronic banking infrastructure.

### **Previous notable Literature**

Muyeed (2012) [8] looked at how customers in Bangladesh's retail banking sector felt about the level of service they received. He solicited feedback from clients via a self-administered survey about various aspects of the quality of the service they received. The study identified four characteristics—reliability, competence, tangibles, and empathy—that contributed to an excellent service. The research revealed that, in today's fast-paced society, clients increasingly value efficiency and precision during financial transactions. The second crucial aspect is the security of monetary dealings. He came to the conclusion that, in order to thrive in the current market, banks must determine where they stand in terms of their customers' perceptions of several quality aspects. Without a well-defined method for collecting and analyzing service quality data, Lee (2011) [6] attempts to probe its various dimensions. The researcher posed unrestricted, open-ended inquiries to consumers of the bank regarding their perspectives. It was contended that customers' perspectives are shifting swiftly in the current market. The researcher separated people-focused responses, service-function responses, price-conscious responses, easily available responses, and institutional-image responses. According to his results, customers value friendliness and desire to help more than any other aspect of service. Expert guidance, quick transactions, and up-to-date records fall under the next heading, which is service functions. Third-level prices, such as interest rates, transaction fees, and ATM surcharges, etc., are also on people's minds.

## Problem Statement

Banking sector is the growing sector in India. Performance of banking are plays very important role in the development of economy. So government of India has concern to development of the banks foe the customers. Now these days banking services have shifted focus from price to service quality in the retail banking industry [1]. The competition has been increasing due to change in technology and service is provided by other banks. Banks are now trying to increase the service quality. Profitability of banking sector are dependent mostly services provided to banks. Maintaining service quality these days has become serious problem in the competitive market to measure the performance [12]. Service quality has been as an overall assessment of service provided to potential customers of the bank. Generally service quality defined as the extent to which service meets customer need or expectations. Service quality also defined as the difference between customer expectations with the bank [6]. On the basis of usage service quality has been divided in five dimensions.

## Purposes of the Study and Methodology

There has been a general trend towards developing customer service avenues that streamline bank-client communication. Therefore, modern financial institutions provide their customers a plethora of channels, using a wide variety of methods to interact with their clientele [6]. As a result, customers can make use of a wide variety of banking options, including automated teller machines, telephone banking, online banking, and wireless channels [5]. These possibilities are in addition to the standard practice of completing financial transactions at a physical bank branch. Banks can't unilaterally restrict the number of channels available to customers because people have grown accustomed to and are making use of a wide variety of them [13]. The impact of e-service on customers' happiness is examined in this descriptive study. The city limits of Coimbatore served as the scope of the study area. People who use nationalized banks are considered to be the sample population. 200 respondents are selected at random from the population of interest using a simple sampling technique. The information was collected by surveying users about their experiences with various service quality dimensions. SPSS is used to analyze the data.

## Analysis, Findings, Discussion and Results

### *Various dimensions of service quality*

Service quality is a multi-dimensional concept that encompasses various aspects and dimensions to evaluate the quality of services provided by an organization. One of the most widely accepted frameworks for understanding the dimensions of service quality is the SERVQUAL model, which was developed by Parasuraman, Zeithaml, and Berry [9]. According to this model, there are five primary dimensions of service quality, often referred to as the "RATER" dimensions: **Reliability**: This dimension refers to the ability of the

service provider to consistently deliver accurate, dependable, and promised services. It involves keeping commitments, providing the service as expected, and minimizing errors or disruptions. **Assurance:** Assurance relates to the competence, courtesy, credibility, and professionalism of the service provider. Customers need to feel confident that the service provider has the necessary skills and knowledge to deliver the service and that they can trust the provider. **Tangibles:** Tangibles refer to the physical and tangible aspects of the service environment. This includes the appearance of facilities, equipment, personnel, and any other tangible elements that can influence the perception of service quality. **Empathy:** Empathy pertains to the service provider's ability to understand, care for, and show empathy towards the customer's needs, concerns, and feelings. It involves personalized attention and a willingness to listen and respond to customer feedback. **Responsiveness:** Responsiveness is about the willingness and ability of the service provider to provide prompt service and assistance to customers. It includes the speed of service, the readiness to help, and the overall customer-oriented approach. The difference in the expected and perceived service quality is considered as service quality.

*Table 1: Service quality gap - Assurance*

Assurance	Mean	N	Std. Deviation	Cronbach's Alpha	Z	Sig.
Perceived	4.17	200	1.026	0.792	11.131	0.000
Expected	3.08	200	1.180			

The security is the most important factor in Customer Opinion and it is considered as one of the dimensions to measure the service quality. The reliability test shows the Cronbach's alpha value is significant (0.792). The perceived service quality (4.17) is more than the expected service quality (3.08). The Z value is 11.131 bigger than 1.96. It shows that the service quality for security is significant.

*Table 2: Service quality gap - Reliability & Responsiveness*

Reliability & Responsiveness	Mean	N	Std. Deviation	Cronbach's Alpha	Z	Sig.
Perceived	3.14	200	0.827	0.789	5.074	0.000
Expected	3.07	200	1.120			

The reliability of the data is good for the banking with regard to reliability and responsiveness. The Alpha value is 0.789. The service quality gap is also found positive. The perceived service quality (3.14) is



more than the expected service quality (3.07). It shows that the reliability and responsiveness are good in the banking. The Z value is 5.074 which is significant at 1% level.

*Table 3: Service quality gap - Credibility*

Credibility	Mean	N	Std. Deviation	Cronbach's Alpha	Z	Sig.
Perceived	3.16	200	0.826	0.759	-0.368	0.689
Expected	3.67	200	1.521			

The Cronbach's Alpha for the data collected for the dimension credibility is good (0.759). But the service quality gap regarding to the credibility is not up to the mark. The Z value shows (-0.368) that there is no significant difference between the perceived and expected service quality.

### Discussion and Managerial Implications

The customer perception of service quality in the banking sector has several significant managerial implications for financial institutions seeking to thrive in a competitive landscape and maintain customer loyalty. Firstly, banks should prioritize training and development programs for their employees. Ensuring that staff members are well-equipped to provide knowledgeable, courteous, and professional service is essential for enhancing customer perception in the dimension of **assurance**. Employees should be trained not only in technical skills but also in soft skills such as effective communication and empathy. Secondly, banks should invest in improving the **tangibles** of their service environment. This includes maintaining clean and modern branch facilities, upgrading digital interfaces, and ensuring that the overall appearance of the bank, both online and offline, reflects professionalism and reliability. A pleasant and efficient physical and digital environment can positively impact customer perception. Thirdly, banks must actively seek and act upon customer feedback. Customer feedback mechanisms, such as surveys, complaint management systems, and social media monitoring, can provide valuable insights into areas where improvements are needed. Banks should use this feedback to make necessary adjustments and demonstrate their commitment to **responsiveness** in addressing customer concerns promptly. Fourthly, personalization and customer-centric approaches are crucial for enhancing **empathy**. Banks should focus on tailoring their services to meet individual customer needs and preferences. This may involve offering personalized financial advice, customized product recommendations, and showing a genuine interest in each customer's financial goals. Lastly, **reliability** should be a non-negotiable priority for banks. Ensuring consistent, accurate, and secure service delivery is essential for maintaining customer trust. This includes robust security measures, reliable transaction processing, and transparent communication about service disruptions or changes. In conclusion, improving customer

perception of service quality in banking involves a holistic approach that encompasses employee training, facility enhancements, responsiveness to feedback, personalization, and unwavering reliability. Recognizing the significance of these managerial implications can help banks build stronger customer relationships, foster trust, and remain competitive in the dynamic financial services industry.

## Conclusion

In order to achieve its goal of improving the nation as a whole, the government is implementing a wide range of innovative new programmes all throughout the country that are targeted at the communities of the people. Over the past few years, e-banking services have begun to rise in popularity around the globe, forcing banks and other financial institutions to compete with one another for customers. Because of this, customers have a strong incentive to take use of the plethora of online banking options that are currently available to them. Researching the feelings and satisfaction of banking customers is crucially important from the perspective of financial institutions. Consequently, this study's goal is to examine customers' perspectives on their experiences with online banking services. Banks that consistently meet or exceed customer expectations in terms of reliability, assurance, tangibles, empathy, and responsiveness are more likely to retain their customers, reducing customer churn and associated acquisition costs. Lastly, in an era where social media and online reviews play a significant role, understanding customer perception is critical for managing a bank's reputation. Positive perceptions can lead to positive word-of-mouth recommendations, while negative perceptions can result in damaging publicity. In conclusion, studying customer perception of service quality in banking is not only a means to improve operational efficiency but also a strategic imperative for attracting and retaining customers, managing reputation, and staying competitive in a dynamic industry. It allows banks to align their services more closely with customer expectations, resulting in a win-win situation for both the financial institution and its customers.

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