Shahab Alam Malik [1]

Arslan Mushtaq[1]

Kanwal Naseem[1]

Shujah Alam Malik[2]

1) COMSATS Institute of Information Technology, Pakistan,
shahab@comsats.edu.pk
shanmushtaq@gmail.com
kanwal.naseem@gmail.com

2) Universiti Teknology Malaysia, Malaysia
shujah.alam.malik@ gmail.com

EXAMINING THE RELATIONSHIP AMONG SERVICE QUALITY, CUSTOMER SATISFACTION AND BEHAVIORAL RESPONSES - COMPARISON BETWEEN PUBLIC AND PRIVATE SECTOR BANKS OF PAKISTAN

Abstract: *This study examines the relationship among service quality, customer satisfaction and behavioral responses across public and private banks in Pakistan. A cross-sectional survey was conducted and data was gathered from 437 customers of public and private sector banks located in Islamabad city, the Capital of Pakistan. Descriptive and inferential analyses were conducted to measure frequency, ranking of services, and correlation and multiple regression analyses. Findings of this study revealed that service quality is a significant determinant of customer satisfaction across public and private sector banks. However different dimensions of service quality were found significant in both public and private sector banks. Customer satisfaction has a positive impact on propensity to recommend whereas no significant relationship is found between customer satisfaction and switching intention. The study is unique in its finding and provides insightful thoughts for determinants of favourable customer's responses across public and private sector banks of Pakistan.*
Key words: *Service quality, customer satisfaction, behavioral responses, banking sector, Pakistan.*

1. INTRODUCTION

The subject of service quality has been debated and is most frequently researched topic in the service marketing literature (Buttle, 1996). Much work has been done to understand its construct and to identify service quality determinants in the last three decades (Kang and James, 2004). Both practitioners and academicians have been focusing on accurately and precisely measuring service quality for better understanding its important antecedents and consequences, so that they may attain customer's satisfaction, attract potential customers while retaining existing ones.

Customer satisfaction is considered as the most vital factor for gaining competitive advantage in the present highly competitive business world. Therefore, notion of increasing customer satisfaction and their retention is gaining strategic importance for market oriented and customer focused firms (Bolton and Drew, 1991). The concept of consumer satisfaction inhabits essential position in marketing and quality literature. Satisfaction is a foremost empirically examined outcome of marketing related

activity and it further serves to link processes concerning in purchase or consumption, with post purchase phenomena such as attitude change, repeat purchase and loyalty etc. (Gounaris *et al*., 2010). Bitner (1990) found that service quality is related to customer readiness to act as a reference customer e.g. word of mouth, switching current service and service loyalty via customer satisfaction. Loyal customers are more likely to have more repeat purchases from the service providers (Heskett *et al*., 1997).

Banking sector of Pakistan has experienced dramatic changes due to political instability and lack of administrative control. It has undergone many regulatory and structural changes in order to bring financial reforms. Private sector banks were dominating during 1950s and 1960s, but later on all those were nationalized in 1974. Hence many banks were merged with each other and five public sector banks were formed. In late 1980s, those nationalized banks were controlling more than 90 percent of the total deposits as well as the earning assets of the entire banking industry, meanwhile operations and setup of private sector banks especially foreign banks were discouraged by restricting their presence in a few large cities only (Ataullah *et al.*, 2004). After the process of nationalization, nationalized banks showed very poor performance due to substandard products and services, and mismanagement. So considerable financial reforms in Pakistan were introduced in the banking industry during the 1990s. These reforms included licensing of new private and foreign banks. The banking sector in Pakistan is an emerging sector which is continuously improving with diversified forms of ownership due to open access, ease of entrance and active participation of foreign and local stakeholders (Awan *et al*., 2011*).* Liberalization and competition forced domestic banks to take initiatives and introduce more modern technological modernizations such as facility of Automated Teller Machines (ATMs),

telephonic banking and internet banking in order to attract new customer while retaining existing one (Burki and Niazi, 2010).

As a result of these reforms in 1991, 23 new banks were issued licenses including private, foreign banks. To date there are total 27 private commercial scheduled banks these including some foreign banks and Islamic banks. Only four public sector commercial banks are operating in Pakistan (Statistics on scheduled banks in Pakistan, 2010). The private sectors banks are growing more in terms of sales, profits and assets as compared with government owned banks (Akram and Asghar, 2010, March). Quality of service has become the ultimate factor that differentiates banks and determines their survival in intense competition. Domestic banks, especially government owned banks need to better understand their customers and to continuously evaluate their service quality in order to increase their market share.

2. LITERATURE REVIEW

Service quality is the area of interest for both service practitioners and academicians, as the identification of the determinants of service quality is necessary for specifying measure, controlling and improving customer perceived service quality for achieving its desired outcomes (Johnston, 1995). Service quality is a form of attitude; it is elusive and indistinct construct (Parasuraman *et al*., 1985). Difficult to define and measure because the concept can be viewed from several different perspectives there are many problems associated with defining service quality as the aspect of tangibility makes quality more complicated in services (Finn and Lamb, 1991). Quality in services can't be objectively and precisely measured so firms must rely on consumers' perceptions of service quality to know their level of satisfaction or dissatisfaction with current services (Karatepe *et al*., 2005).

Parasuraman *et al.,* (1985) conducted preliminary work service quality, they conceptualized service quality as comparison between delivered and expected service performance, and hence their model is known as Gap analysis or SERVQUAL. They identified that service quality has ten determinants i.e. reliability, responsiveness, tangibility, competence, courtesy, communication, credibility, security, access and knowledge about the customer. Later on these were reduced in five core determinants of service quality including: reliability, responsiveness, assurance, tangibles and empathy.

SERVQUAL has received some serious criticism due to some theoretical and functional shortcomings (Buttle, 1996). Five dimensions of service quality proposed in SERVQUAL model can't predict service quality across all services industries (Finn and Lamb, 1991; Carman, 1990). It is not required to ask about the customer expectations about services when SERVQUAL is administered for measuring service quality (Babakus and Boller, 1992). While criticizing on SERVQUAL model, Cronin and Taylor (1992) proposed another model for measuring service quality, which is solely based on performance of services. Numerous authors have supported the view that SERVPERF is a better alternative measure of service quality as compared to SERVQUAL model, as it does not rely on confusing relationship of customers' expectations minus customers' perceptions (Churchill and Surprenant, 1982). There are some operational problems in expectation and perception gap analysis model so it may not reflect intended results accurately (Babakus and Boller, 1992). Superiority of SERVPERF can be argued from this evidence that performance perceptions are already the result of customers' comparison of their expected (Cronin and Taylor, 1994).

SERVPERF dimensions are useful for the purpose of comparative analysis across service industries, great care should be exercised by managers of service firms in attempts to derive more specific information by using the SERVPERF scale, it can be better addressed through a focus on specific dimensions of service quality, especially with respect to their relevance to satisfaction and outcome variables (Zhou, 2004). New dimension of service convenience was found significant determinant in assessing service quality of banking sector in Malaysia (Kumar *et al*., 2009; Kumar *et al*., 2010). Service availability is found significant determinant along with five dimensions of SERVQUAL (Johnston, 1997). Service quality in banking industry was determined with five dimensions of service quality and product convenience and product availability in India and China (Bedi, 2010; Wang *et al*., 2003).

Malhotra *et al.*, (1994) worked on services from culture point of view, by using Hofstede's cultural classifications. They identified some influences of culture on services quality dimensions, like the socio-cultural differences can affect customer perceptions of service quality, it is better to use the scale in services sector which has been utilized in same culture and industry. Banking industry in India and Pakistan share similar characteristics and technical efficiency of the banking industry of both countries has developed gradually over time (Ataullah *et al.*, 2004).

Service Quality and Customer Satisfaction are distinct concepts, but somehow closely related constructs. There is a positive relationship between these constructs. Prior literature in marketing is teeming which support that service quality has direct and significant impact on customer satisfaction. Service quality in banking sector is particularly having direct positive impact in customer satisfaction (Beerli *et al*., 2004; Bloemer *et al*., 1998). Service quality perceptions and expectations differ across public and private sector banks, literature provides mixed results sometimes customers of public sector banks are found to be more satisfied from service quality and vice versa; perceived service quality is
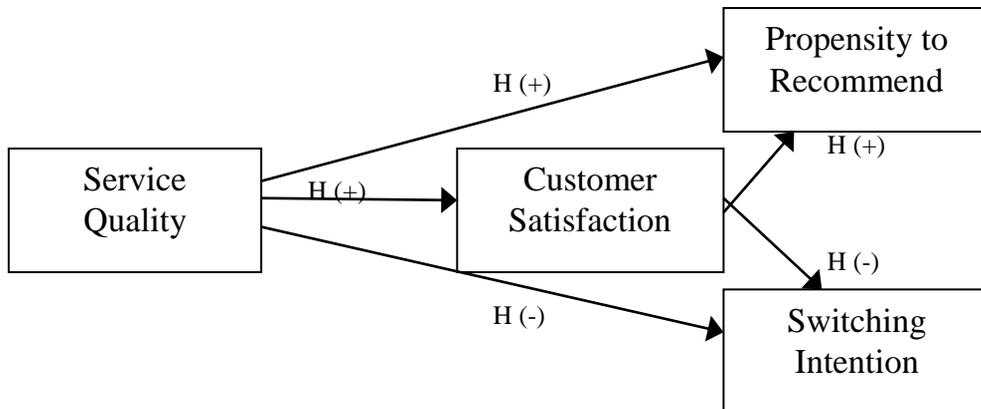
higher in private sector banks as compared to private sector banks (Kangis and Voukelatos, 1997). Comparative study between public and private sector banks provide results that service quality and its impact on customer satisfaction differs significantly (Naeem *et al.*, 2011). Service quality brings satisfaction among customers of banks and customers of public sector banks are found marginally more satisfied as compared with private sector banks. Hence, Based on prior literature it was expected that

H1: Service quality perceptions, customer satisfaction and behavioral intentions differ across public and private sector banks

H2: The relative importance of seven dimensions of service quality in predicting customer satisfaction will be different in public and private sector banks.

Many theorists and researchers in marketing literature supported the idea that satisfaction from product or service intervenes between service quality and behavioral responses (Oliver, 1981). Cronin *et al.* (2000) undertook an empirical test of the reciprocity between satisfaction and quality across several service industries. Using structural equation modeling, they found that service quality can be seen as a determinant of satisfaction which in turn influences purchase intentions. Perceived service quality has association with certain outcomes i.e., word of mouth, switching service and service loyalty (Bitner, 1990). Theoretical anchor of these relationships are found in the studies of Bagozzi and Phillips (1982) who said that initial service appraisal leads towards emotional response and emotional response will lead towards coping framework (mean emotional response will derive behaviour) (Gotlieb *et al.*, 1994). If this model will be applied in services context then more quality focused firms will gain more overall customer satisfaction and customer satisfaction will have positive impact on desirable customer behavioral reaction and intention and negative impact on not desirable behavioral responses.

Figure 1. Model of behavioral reaction and intention

These relationships are theoretically and empirically supported in various studies (Joseph *et al.*, 2000). Service quality is at the core basis of customer satisfaction and is linked to some behavioral outcomes like recommending, switching, and word of mouth in banking sector (Yavas *et al.*, 2004). Customer switching behavior is associated with perception of quality in banking industry (Rust and Zahorik, 1993). Poor service quality and customer dissatisfaction are some reasons that induces customers to switch their services (Athanassopoulos, 2000).

H3a: Customer satisfaction will have positive relationship with propensity to

recommend in public and private banks of Pakistan.

H3b: Customer satisfaction will have negative relationship with switching intention in banks of Pakistan.

H4a: Customer satisfaction will mediate the relationship between service quality and propensity to recommend

H4b: Customer satisfaction will mediate the relationship between service quality and switching intention.

3. RESEARCH METHODOLOGY

A cross sectional survey was carried out for collecting primary data. A structured questionnaire proposed by Bedi (2010) is used for data collection. Target population was customers of public and private sector commercial banks located in Islamabad city, the capital of Pakistan. For respondents' lingual convenience, a bilingual (Urdu and English) questionnaire was used. While doing so translation and retranslation method suggested by Endacott *et al.,* (2010) was followed. Urdu translation was made with the consultation of senior Urdu professor, who was expert in English to Urdu translation. Questionnaire was comprised of four sections. Section-I was consisted of total 30 items including 26 items of service quality dimensions, 2 items for propensity to recommend and 2 items for switching intentions. The respondents were asked to rate each statement using the five point Likert scale ranging from 1 to 5, where 1 = strongly disagree and 5 = strongly agree. Section-II contained 6 items measuring overall customer satisfaction. Section-III dealt with the questions relating to customer complaining behavior. Finally, section-IV contained some questions about the socio-demographic profiles of respondents. Convenience sampling method was used to collect data from customers. In order to overcome the shortcomings of convenience sampling, only those respondents were

approached who had an account in any commercial bank located in vicinity of Islamabad, and those who had experience of dealing with bank for more than one year.

The sample size was selected according to the guidelines for sample size, which varies according to the number of variables involved in the study. As the instrument used in current study has 36 items. Total required items according to this guideline were 360 respondents (i.e. items in study multiplied by ten). In order to make a comparison between public and private banks equal number of respondents were focused in both respective banks. Due to expected low response rate total 600 questionnaires were distributed. Subjects were targeted at different bank branches, shopping malls, central markets, government institutes, ministries and universities located in different geographical areas of Islamabad. In order to make a comparison between public and private sector banks equal number of respondents were targeted 300 from each public and private sector banks. As expected, some of the customers were dealing with both public and private banks so they gave their responses on any bank's service at their own preferences and frequency of their transaction in bank. Irrespective he/she deals with multiple banks but he / she views the focused bank as his/her primary bank. Out of 600 distributed questionnaires, 445 questionnaires were returned back, 8 of them were found not useable due to massive missing data and faulty answers hence finally 437 were found useable for making analysis.

4. DATA ANALYSIS AND RESEARCH RESULT

This section presents results of the study whether the average perception of service quality, satisfaction and behavioral responses vary across public and private sector banks or otherwise.

Table 1: Sample Characteristics between two groups of bank

	All (n= 437)		Public banks (n=217)		Private (n=220)	
	f	%	f	%	f	%
Gender						
Male	370	84.7	172	79.3	198	90.0
Female	67	15.3	45	20.7	22	10.0
Marital Status						
Married	194	44.4	125	57.6	69	31.4
Single	243	55.6	92	42.4	151	68.6
Age						
Less than 25	132	30.2	44	20.3	88	40.0
25-34	164	37.5	66	30.4	98	44.5
35-44	63	14.4	42	19.4	21	9.5
45-54	46	10.5	37	17.1	9	4.1
55 or above	32	7.3	28	12.9	4	1.8
Education						
Matriculation or less	38	8.7	29	13.4	9	4.1
Inter / diploma	69	15.8	49	22.6	20	9.1
Bachelor	114	26.1	59	27.2	55	25.0
Master & above	193	44.2	73	33.6	120	54.5
Other	23	5.3	7	3.2	16	7.3
Profession						
Employee (public)	191	43.7	137	63.1	54	24.5
Employee (private)	52	11.9	23	10.6	29	13.2
Own business	57	13.0	19	8.8	38	17.3
Retired	13	3.0	11	5.1	2	0.9
Unemployed	14	3.2	6	2.8	8	3.6
House wife	9	2.1	5	2.3	4	1.8
Student	93	21.3	16	7.4	77	35.0
Other	8	1.8			8	3.6
Monthly Income						
Less than Rs. 10,000	82	18.8	27	12.4	55	25.0
Rs. 10,001 - 20,000	152	34.8	78	35.9	74	33.6
Rs. 20,001 - 30,000	82	18.8	44	20.3	38	17.3
Rs. 30,001 - 40,000	55	12.6	24	11.1	31	14.1
Rs. 40,001 - 50,000	31	7.1	21	9.7	10	4.5
Rs. 50,001 and above	35	8.0	23	10.6	12	5.5
Dealing with bank						
> 2 years	97	22.2	20	9.2	77	35.0
2-3 years	82	18.8	34	15.7	48	21.8
3-4 years	68	15.6	34	15.7	34	15.5
4-5 years	50	11.4	27	12.4	23	10.5
5 years or above	140	32.0	102	47.0	38	17.3

The data first was analyzed by using descriptive statistics across public and private sector banks to observe frequency and percentage results. Later correlation and

regression analysis were carried out to clarify the relationship between service quality and customer satisfaction and behavioral intentions. In the end, ranking of services in ascending and descending order and mean differences between public and private sector banks for propensity to recommend, switching intension and overall satisfaction was measured.

The sample characteristics and banking behavior

Respondents of public and private sector banks have different demographic characteristics, it was really very difficult to focus on respondents have similar characteristics across public and private sector banks because there are only four public sector commercial banks and twenty six private sector commercial banks.

Table 2: Correlations between service quality and customer satisfaction in (Public Banks and Private Banks)

	Variables	M	SD	Correlation Coefficients							
				1	2	3	4	5	6	7	8
1.	Satisfaction	3.48^a 3.56^b	0.942^a 0.715^b	1.000							
2.	Assurance	3.54^a 3.65^b	0.836^a 0.716^b	0.643^a 0.540^b	1.000						
3.	Empathy	3.32^a 3.29^b	0.818^a 0.683^b	0.630^a 0.486^b	0.606^a 0.542^b	1.000					
4.	Reliability	3.32^a 3.38^b	0.779^a 0.673^b	0.707^a 0.504^b	0.716^a 0.590^b	0.677^a 0.509^b	1.000				
5.	Responsiveness	3.37^a 3.38^b	0.905^a 0.549^b	0.718^a 0.469^b	0.740^a 0.471^b	0.591^a 0.417^b	0.760^a 0.525^b	1.000			
6.	Tangibles	3.57^a 3.90^b	0.843^a 0.675^b	0.601^a 0.428^b	0.637^a 0.569^b	0.667^a 0.391^b	0.630^a 0.495^b	0.525^a 0.315^b	1.000		
7.	Product Quality	3.43^a 3.25^b	0.847^a 0.734^b	0.560^a 0.319^b	0.610^a 0.282^b	0.566^a 0.314^b	0.605^a 0.344^b	0.578^a 0.342^b	0.594^a 0.276^b	1.000	
8.	Product Convenience	3.33^a 3.31^b	0.907^a 0.767^b	0.547^a 0.463^b	0.633^a 0.399^b	0.622^a 0.435^b	0.666^a 0.437^b	0.569^a 0.436^b	0.623^a 0.330^b	0.656^a 0.470^b	1.000

[a] Public banks, [b] Private banks
Correlation is significant at the 0.05 level (1-tailed)

Furthermore, most of the branches of public sector banks are located in government institutes, ministries, hospitals and airports etc. Total sample consisted of 437 respondents in which 217 respondents belonged to public and 220 in private sector banks. The sample consists of 84.7 per cent male and 15.7 per cent female respondents (public sector; 79.3 percent male, 20.7 percent female and private sector; 90 percent male, 10 percent female respondents). The asymmetry in gender is not surprising in Pakistani culture, here female are less likely to deal with economic activities as compared to males, further it is more difficult to take feedback from female as compared male as they have less frequent interaction with banks. 44.4 percent respondents were

married and 55.5 percent with single status. 67.7 percent respondents were less than 35 year old. 44.2 percent respondents were having master or above qualification. 43.7 percent respondents were government employees and 13.2 percent employees were non-government employees where as 63.1 percent t from public sector banks were government employees.

Table 3: Correlation analysis: Public Sector Bank Sub-Sample (Group I) and Private Sector Bank Sub-Sample (Group II)

	Variables	Public Sector Banks			
		1	2	3	4
1	Service quality	1			
2	Customer Satisfaction	0.760 **	1		
3	Propensity to Recommend	0.689 **	0.735 **	1	
4	Switching Intention	0.134 *	0.041	0.055	1

Private Sector Banks			
1	2	3	4
1			
0.643 **	1		
0.543 **	0.625 **	1	
0.229 **	0.139 *	0.131 *	1

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).

Majority of respondents 34.8 percent were having average monthly income ranging from 10,001 to 20,000 Pak rupees (public sector 35.9 percent and private sector 33.6 percent). Overall 32.0 percent respondents have been utilizing services of

their respective bank for five years or above. Detailed sample characteristics are given in Table 1.

Table 4: Regression Results (Summaries) of All the Models

Model	Public Sector Banks (Group – I)				
	R2	Adj. R2	F	Sig.	D.W*
Model 1	0.620	0.607	48.757	0.000	1.907
Model 2	0.541	0.538	252.916	0.000	1.888
Model 3	0.002	-0.003	0.354	0.553	1.798

Private Sector Banks (Group - II)				
R2	Adj. R2	F	Sig.	D.W
0.427	0.408	22.586	0.000	1.965
0.391	0.388	139.671	0.000	1.992
0.019	0.015	4.294	0.390	1.723

Model-1, Predictors: (Constant), Convenience, Responsive, Tangibility, Availability, Empathy, Assurance, Reliability
Model-2, Predictors: (Constant), Propensity to recommend
Model-1, Predictors: (Constant), Switching intension
Dependent variable: Overall Satisfaction
*DW = Durbin Watson test

Linear relationship was examined by applying one tail Pearson's correlation among the dimensions of dependent and independent variables in public and private sector banks separately to check the strength of relationship between dependent and independent variables. Table 2 & 3 show the Pearson correlation for private sector bank sub-sample (group 1) and public sector bank sub-sample (group II) along with mean and standard deviation scores respectively. This analysis shows that there is no violation of the assumption of linearity and homoscedasticity and all associations were found to be significant at 95% level in both sub-samples. In table 3, high correlation was observed among service quality, customer

satisfaction and propensity to recommend in both public and private sector banks (p<0.01), whereas low correlation was observed between service quality and switching intension (p<0.05).

Table 5: Regression Results (Standardized) of All the Models

Models	Independent Variables	Public Sector Banks (Group-I)					Private Sector Banks (Group-II)				
		β	t	Sig.	TV	VIF	β	t	Sig.	TV	VIF
1	Assurance	0.032	0.440	0.661	0.336	2.972	0.202	2.699	0.008	0.483	2.071
	Empathy	0.150	2.284	0.023	0.422	2.371	0.144	2.167	0.031	0.610	1.638
	Reliability	0.204	2.601	0.010	0.295	3.391	0.104	1.428	0.155	0.509	1.964
	Responsiveness	0.358	4.853	0.000	0.334	2.996	0.148	2.268	0.024	0.633	1.579
	Tangibles	0.153	2.340	0.020	0.425	2.355	0.097	1.479	0.141	0.628	1.593
	Product Availability	0.062	0.995	0.321	0.468	2.136	0.026	0.430	0.668	0.739	1.353
	Product Convenience	-0.042	-0.634	0.527	0.412	2.429	0.165	2.522	0.012	0.631	1.585
2	Customer Satisfaction**	0.735	15.903	0.000	1.000	1.000	0.625	11.818	0.000	1.000	1.000
3	Customer Satisfaction***	0.041	0.595	0.553	1.000	1.000	0.139	2.072	0.039	1.000	1.000

* Dependent variable = Customer Satisfaction, ** Independent variable, ***Independent variable

In order to identify the separate influence of service quality dimensions on customer satisfaction, regression was run of public sector bank sub-sample and private sector bank sub-sample separately. According to model, three regression models were run. In first model, seven quality dimensions which consisted of 26 items served as the independent variables and overall customer satisfaction as the dependent variable. In second and third models, customer satisfaction served as dependent variable and propensity to recommend and switching intension as independent variables respectively (Table 4 & 5). Table 4 showed the regression summary results of all three models. In model-1, R2 was found 0.620 in public and

0.427 in private sector banks showing that 62% variance for public sector and 42% variance for private sector banks in the overall satisfaction of customers. In model-2, R2 values in public and private sector banks were 0.541 and 0.391 respectively. Finally in model-3, R2 values in public sector banks was 0.002 and in private sector banks (0.019). In ANOVA results, first two models were found significant whereas model-3 was found insignificant in both public and private sector banks. Independence was checked via Durbin Watson test which was in acceptable limit in all models.

Table 5 depicts results of regression standardized coefficients of all three models in public and private sector banks. According to first model results, in public

and private sector banks, four out of seven dimensions were found significant. In public sector banks, empathy, reliability, responsiveness, and tangibles, whereas in private sector banks, assurance, reliability, responsiveness and product convenience were found significant determinants $(p<0.05)$ of customer satisfaction.

Table 6: The Regression Analysis of Perceived Service Quality and Customer Satisfaction on Customer Behavioral Responses

Dependent Variable	Independent Variable	S.C β	T- Value	Sig.
Propensity to Recommend				
Step 01 Customer Satisfaction	Constant		0.598	0.550
	Service Quality	0.719	21.580	0.000
	Model F value		465.686	0.000
	R square		0.517	
	Durbin-Watson		1.961	
Step 02 Propensity to Recommend	Constant		-0.609	0.543
	Service Quality	0.638	17.297	0.000
	Model F Value		299.199	0.000
	R Square		0.408	
	Durbin-Watson		1.942	
Step 03 Propensity to Recommend	Constant		-0.972	0.331
	Service Quality	0.286	6.001	0.000
	Satisfaction	0.490	10.274	0.000
	Model F Value		238.328	0.000
	R Square		0.523	
	Durbin-Watson		1.970	

Dependent Variable	Independent Variable	S.C β	T- Value	Sig.
Switching Intension				
Step 01 Customer Satisfaction	Constant		0.598	0.550
	Service Quality	0.719	21.580	0.000
	Model F value		465.686	0.000
	R square		0.517	
	Durbin-Watson		1.961	
Step 02 Switching Intention	Constant		10.443	0.000
	Service Quality	0.167	3.523	0.000
	Model F Value		12.441	0.000
	R Square		0.28	
	Durbin-Watson		1.992	
Step 03 Switching Intention	Constant		10.481	0.000
	Service Quality	0.286	0.230	0.000
	Satisfaction	0.490	-0.087	0.201
	Model F Value		7.036	0.001
	R Square		0.031	
	Durbin-Watson		2.004	

Assurance, product availability and product convenience were not found significant determinant in public sector banks, likewise reliability, product availability and tangibles were not found significant determinants of customer satisfaction in private sector banks. Multi-Collinearity results were found within acceptable limit in both sector banks i.e. tolerance values are above 0.1 and VIF values below 10.

In second regression model, significant relationship was found between service quality and propensity to recommend ($p<0.001$) in both sector banks. In model-3, an insignificant relationship between service quality and switching intention in public sector banks was observed (β 0.041, Sig. 0.553), whereas in private sector banks, this relationship was found significant (β 0.139, Sig. 0.039).

According to model, customer satisfaction variable served as a mediating variable. So linear relationship was determined among customer satisfaction, propensity to recommend and switching intention (Table-6). Results were drawn in three steps and of propensity to recommend and switching behavior separately. In first step, relationship between customer satisfaction (dependent variable) and service quality (independent variable) was analyzed which was found significant (β 0.719, Sig. 0.000). In the second step relationship of propensity to recommend was measured with service quality which was found significant (β 0.638, Sig. 0.000) and in third step relationship of propensity to recommend was analyzed with both service quality and customer satisfaction simultaneously and which was found significant too (service quality β 0.286 Sig. 0.000, and customer satisfaction β 0.490, Sig. 0.000).

Table 7: Overall ranking of services

Services (Descending Order)	M
Bank Employees are well dressed	3.86
Physical facilities at bank are visually appealing	3.81
Bank uses advanced computer/info technology	3.78
The bank has convenient operating hours	3.67
Services provided as per promised schedule	3.65
Employees aware of bank products and services	3.58
Employees of the bank are polite and courteous	3.55
If there is a problem, bank is willing to discuss it	3.53
Bank has visually appealing signs, symbols etc.	3.49
Hassle & error free processing of transactions	3.47

M	Services (Ascending Order)
2.98	Availability of ample parking space
3.19	The bank offers competitive interest rates
3.19	Easy to get or use personal finance product mix
3.22	You receive prompt services from the bank
3.27	Adequate product variety and features of savings
3.27	Banks give caring and individual attention
3.29	Adequate product variety and features of loans
3.30	Employees of bank understand my needs
3.34	Employees are willing to respond to requests
3.34	Bank performs the service right for the first time

In switching intension results of Table-6, in first step, relationship between customer satisfaction (dependent variable) and service quality (independent variable) was analyzed which was found significant (β 0.719, Sig. 0.000). In the second step relationship of switching intension was measured with service quality which was found significant (β 0.167, Sig. 0.000) and in third step relationship of switching intension was analyzed with both service quality and customer satisfaction simultaneously and which was found significant to service quality (service quality β 0.286 Sig. 0.000) but insignificant with customer satisfaction β 0.490, Sig. 0.201).

Table 8: Mean scores differences of propensity to recommend. Switching intension and customer satisfaction between public and private sector banks

Variables	Public Banks n=217		Private Banks n=220	
	Mean	SD	Mean	SD
Propensity to Recommend	**3.41**	**1.115**	**3.39**	**0.981**
I would strongly recommend this bank to someone who seeks my advice	3.38	1.169	3.55	0.913
I will encourage friends and relatives to do business with this bank	3.36	1.171	3.48	0.972
I have informed other customers of the bank about complaints I have about the service offered by the present bank	3.48	1.005	3.13	1.058
Switching Intension	**3.51**	**1.123**	**3.27**	**1.175**
I would like to switch to a competitor that offers more attractive rates	3.59	1.094	3.26	1.262
I would like to switch to a competitor if I experience a problem with bank services	3.83	0.988	3.72	1.120
I would like to continue business with this bank even it increases its fees	3.10	1.287	2.84	1.142
Customer Satisfaction	**3.48**	**1.09**	**3.56**	**0.94**
Considering everything, I am extremely satisfied with my overall dealing with the bank	3.63	1.107	3.62	0.974
I am satisfied with my personal contact with staff	3.39	1.104	3.58	0.955
The overall service quality provided by my bank is satisfactory	3.58	1.056	3.71	0.878
I am satisfied with the product service quality of the bank.	3.46	1.071	3.54	0.933
The average score of overall evaluation of tangible, reliability, responsiveness, empathy, assurance is satisfactory	3.53	1.018	3.59	0.890
My bank always meets my expectations	3.30	1.158	3.30	1.033

Ranking of services offered by banks (overall) is given in Table 7. Out of 26 items 20 items mean results were shown in both descending and ascending order. Most ranked services by customers of both banks include well dressed employees, physically appealing facilities, usage of updated IT facilities, convenient operating hours, services provided as per promised schedule, bank employees awareness, and polite attitude etc. Whereas in ascending order section, ample parking, interest rates, prompt services, individual attention etc were few areas which received lowest ranking among services, and which though not critical ones, but should be addressed by the respective banks.

Finally, mean scores of propensity to recommend, switching intension and customer satisfaction between public and private sector banks were analyzed (Table 8). In propensity to recommend higher mean score was observed in public banks (3.41) as compared to private banks (3.39), in the same manner in switching intension customer of public banks (3.51) were more willing to switch to competitors in case of better services or complaints with existing bank as compared to private bank customers (3.27). But on the other hand, if their bank increases interest rates, even then they were more willing to stay with their bank. In customer satisfaction section, customers of private sector banks were found more satisfied (3.56) as compared to their counterparts (3.48).

5. DISCUSSION AND CONCLUSION

This empirical assessment of service quality dimensions in banking sector is in line with earlier research findings that service quality dimensions are industry specific and country specific. On an issue about the empirical assessment of the service quality dimensions, the research results confirmed prior research on the issue and indicated that the service quality dimensions are industry and country specific and culture has significant effect on service quality perception (Malhotra *et al*., 1994). Prior studies have been conducted by Wang *et al.,* (2003) in banking sector of China and banking Industry of India by Bedi (2010). Hence we examined the relationship between service quality customer satisfaction and behavioral responses in banking industry of Pakistan; Present study has been conducted in somehow similar culture and same industry by using same instrument to examine the impact of service quality on customer satisfaction. Finding of this empirical study has revealed the existence of seven-quality dimensions that influence customer satisfaction. This study further validates the integrated model of service quality, customer satisfaction and behavioral responses in banking sector proposed by (Bedi, 2010). Results also show that customers of public sector banks perceived more service quality as compared to customers of private sector banks. Beneficiaries of public services comprise relatively more diverse customers such as employees of public sector organizations, taxpayers, communities, non-governmental organizations (NGOs) and non-profit organizations (NPOs), and the press (Rhee and Rha, 2009). Due to different respondents characteristics of public and private sector banks their perception varies about service quality offered their respective banks. Customers of public sector banks are relatively less educated, older and 68.2 percent of them are either government employees or retired, whereas customers of private sector banks are young, having more formal education and majority of them are self-employed, students and employees of private firms. So those customers of private sector banks are having higher expectations of service quality and customer of public sector banks have less expectations about service quality.

Most of the customers of public sector banks have been availing the services from

one particular bank for years; they don't have much knowledge about the service and products offered by other banks. Customers of private sector banks have been dealing with multiple banks simultaneously so they have batter knowledge about the service offered by other banks that has increased their expectations about services and customer satisfaction so they perceived less degree of service quality and satisfaction. Although service quality is found to be significant determinant of overall customer satisfaction but different dimensions of service quality are found significant determinant of customer satisfaction in public and private sector banks due to difference in services offered.

6. LIMITATIONS

Many problems are associated in primary data collection; the focus in this study was to take participation of respondents from all across the city, including diverse respondents so that we may generalize the findings of this study. In this regard when we approached more diverse customers to take their responses they were unable to give their response on this structured questionnaire, questionnaire was just a new thing for them and majority of them were not familiar with it. Some who gave their responses they gave their inflated responses due to the social desirability factor. Although we developed bilingual questionnaires (i.e., Urdu and English), but we found difficulty in finding exact alternative word in Urdu language for measuring same constructs while preparing an Urdu version of questionnaire. This study was conducted in limited period and due to lack of sufficient financial and non-financial resources, we were unable to extend the scope of this study. This study is conducted only one developed city of Pakistan so it has restricted its generalizability.

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