

IMPACT OF SERVICE QUALITY AND CUSTOMER SATISFACTION AND CUSTOMER LOYALTY WITH COOPERATIVE BANKS IN SURAT DISTRICT

Prince Chotelal Shah¹, Dr. Vivek Ayre²

¹Student BV Patel Institute of Management, Uka Tarsadia University, India.

²Teaching Assistant BV Patel Institute of Management, Uka Tarsadia University, India.

ABSTRACT

This research explores the interplay between service quality, customer satisfaction, and loyalty in cooperative banks, with a focus on Surat District, utilizing a sample size of 114 respondents. Through a mixed-method approach, primary data was collected via structured surveys and secondary data from bank reports and other sources. Statistical tools like Chi-Square and Mann-Whitney U tests were used to analyze service quality dimensions, including reliability, responsiveness, tangibility, assurance, and empathy. The findings highlight that superior service quality significantly enhances customer satisfaction, which in turn fosters loyalty. Key insights include the critical role of timely service, professional staff, and accessible facilities, alongside the need to address technical issues and trust in data security. The study emphasizes actionable strategies for cooperative banks to improve customer experiences and sustain competitiveness in the evolving banking sector.

Key Words- Responsiveness, Tangibility, Assurance, Empathy, Reliability

1. INTRODUCTION

The relationship between service quality, customer satisfaction, and loyalty has become a cornerstone of modern banking, particularly within cooperative banks, where customer-centricity is key to sustainability. As the banking landscape evolves, the emphasis on delivering superior service quality is paramount to retaining customers, fostering loyalty, and driving financial inclusion.

This study focuses on cooperative banks in the Surat District, specifically analyzing how service quality influences customer satisfaction and loyalty. In an era where customer expectations are shaped by rapid technological advancements and heightened competition, cooperative banks must differentiate themselves through exceptional service delivery. The dimensions of service quality—such as tangibility, reliability, responsiveness, assurance, and empathy—play a pivotal role in shaping customers' perceptions and experiences.

Cooperative banks in Surat have historically catered to a diverse clientele, supporting rural economies, small businesses, and individual customers. However, with increasing competition from public and private sector banks, as well as digital banking platforms, the challenge lies in meeting and exceeding customer expectations. This research aims to bridge knowledge gaps, providing insights into the interplay of service quality, customer satisfaction, and loyalty, thereby offering actionable recommendations for cooperative banks to thrive in a competitive market.

2. LITERATURE REVIEW

1. Mubbsher Munawar Khan, Mariam Fasih {2014}: Impact of Service Quality and Customer Satisfaction and Customer Loyalty [Evidences From Banking Sector] This study helps to understand that's the impact on customer satisfactions and loyalty. And the positive correlation is found between service quality and customer loyalty

Objective of this study was to determine the satisfaction level of banking services provided by the banks and to assess their loyalty to the respective banks. The study aims to identify which dimension of service may enhance customers satisfaction and loyalty more effectively.

Sample size was 270 customers surveyed and valid respondents were 83%

2. Mustafa Raza Rabbani, Faran Ahmad Qadri, Mohammed Ishaq {2016}: Service Quality, customers satisfactions and Customer Loyalty: An Empirical Study On Banks in India:

Service Quality Significantly influences customers satisfactions in Banks. Higher satisfactions lead and Profitability and study examines public and private sector banks

in India. Respondents mostly educated, with high employment levels. Positive service quality perceptions correlated with customers satisfactions levels.

The objective aims to understand the determinants of customer satisfactions in public and private sector banks in India and the impact of these factors on their customer loyalty.

Sample Size was 568 customers from the public and the private banks.

3. Achmad Supriyanto, Bambang Budi Wiyono, Burhanuddin {15 Jul 2021}- Effect of Service Quality and Customer Satisfaction on Loyalty of Bank Customers: It indicates that good service enhances customer satisfaction and trust, which in turn increases customer loyalty in banking. The relationships are crucial for cooperative banks to retain customers and improve their competitive position in the market.

Objective of this research was paper is determine the effects of service quality, trust, customer satisfaction on bank customer loyalty. It aims to identify how these factor influences customer loyalty and to establish the relationships between them. The research seeks to provide insight that can helps banking companies develop effective strategies to enhance customer loyalty by improving service quality and fostering trust and satisfaction among their customer.

Sample Size was 245 bank customers. Customer must have banked for over five years.

4. Ray & Ghosh {2023}: Role of Service Quality in Customer Satisfaction and Customer Loyalty:

Enhancing service quality attributes like reliability and responsiveness is crucial for improving customer satisfaction and fostering long term loyalty among clients.

The research paper investigates the role of service quality in influencing customer satisfaction and loyalty, particularly in the context of Indian businesses. It emphasizes the importances of delivering excellent service that meets or exceeds customer expectation to differentiate from competitors. The study aims to highlight how improving service quality can lead to increase customers satisfactions, loyalty, and ultimately, business growth.

Sample Size was 219 participants and convenience sampling method is used.

5. Wahyudi, Endang Ruswanti {2021}: The Effect of service Quality, Trust, and Satisfaction of Banks Customer Loyalty:

It focus on banking service, quality, customer satisfaction, and loyalty, specially in Jakarta. It does not address cooperative banks in India or related research paper, thus lacking direct relevance to your query about that specific context. Study examines service quality, trust and loyalty. Good service quality enhances satisfaction, trust, loyalty. It aims to identify how this factors influences customer loyalty and to establish the relationships between them. The research provides insight that can helps banking companies develop effective strategies to enhances customer loyalty by improving service quality. Sample Size was 245 banks customers. Customers must have banked for over five years.

3. RESEARCH METHODOLOGY

This study examines how service quality influences customer satisfaction and loyalty in cooperative banks within Surat District. A systematic approach is used to collect, analyze, and interpret data, providing insights to improve banking services and customer relationships.

Problem Identification

Poor service quality can lead to customer dissatisfaction and attrition in cooperative banks. This research explores the impact of service quality on customer satisfaction and loyalty, offering strategies for improvement.

Objectives

1. Identify key service quality factors affecting satisfaction.
2. Assess the impact of service quality on loyalty.
3. Analyze the influence of customer demographics on satisfaction.
4. Measure customer satisfaction in Surat's cooperative banks.
5. Suggest improvements to enhance service quality.

Research Design

- Type: Exploratory and descriptive, using both qualitative and quantitative data.
- Data Sources:

Primary Data: Surveys (structured questionnaire, 114 respondents).

Secondary Data: Bank records, reports, and research papers.

- Research Plan: Conducted during a winter internship at SUDICO with field observations.

Data Analysis Techniques

1. Chi-Square Test – Examines relationships between variables.
2. Mann-Whitney U Test – Compares satisfaction levels across gender.
3. Kruskal-Wallis Test – Analyzes differences in satisfaction across age/income groups.
4. Descriptive Statistics – Summarizes survey data.

Scope & Limitations

- Scope: Focuses on cooperative banks in Surat, helping banks improve service quality and customer satisfaction.
- Limitations: Limited to Surat District, small sample size (114), time constraints, and potential survey biases.

4. DATA INTERPRETATION

Demographic and Banking Habits

1. Age Distribution: The survey reveals that 70.2% of respondents are under 35 years old, with the largest group (37.7%) aged between 25-35, followed by 18-25 years (32.5%). This dominance of a younger customer base suggests an increasing need for digital banking services and modern financial products. Those aged 35-45 make up 18.4%, while only a small proportion (11.4%) are above 45 years. This indicates a focus on a younger demographic for marketing and product development.
2. Gender Composition: The sample is predominantly male, comprising 72.8% of respondents, compared to 27.2% female. This gender gap might reflect a greater financial decision-making role for men or less outreach to women. It highlights the potential to create more inclusive banking campaigns targeting women.
3. Marital Status: A significant proportion (52.6%) of respondents are married, while 43% are single, and 4.4% are divorced. The high percentage of married individuals underscores family-oriented financial needs, such as home loans, joint accounts, and insurance products.
4. Occupation: The survey includes diverse professions: 33.3% salaried employee, 32.5% self-employed individuals. Students represent 23.7%, reflecting the bank's potential to focus on youth-friendly services like education loans or mobile banking solutions. Farmers (7%) and retired individuals (3.5%) form smaller yet significant groups, indicating the need for rural and pension-centric products.
5. Bank Relationship Duration: The majority 54.4% have been with the bank for 3-5 years, demonstrating strong customer retention. Another 36% have been associated for 1-3 years, indicating relatively new customer engagement. Only 9.6% have a relationship of less than a year, which may point to slower new customer acquisition.
6. Bank Services Usage: Savings accounts are the most utilized, with 56.1% respondents primarily relying on them, followed by 19.3% using online/mobile banking. The relatively low usage of loan and mortgage services (9.6%) reveals an untapped potential for expanding these services through better awareness and accessibility.
7. Trust in Data Security: While 36.8% of respondents trust the bank with their financial data, a majority 62.3% are uncertain, and a negligible 0.9% explicitly distrust the bank. This reflects a lack of confidence in data security measures, requiring stronger communication on cybersecurity.
8. Bank Visit Frequency: 33.3% visit weekly, showing continued reliance on traditional banking services. 31.6% visit monthly, and 29.8% rarely visit, signalling a growing shift towards digital banking. A small minority (2.6%) visit daily, and an equal percentage never visit, reinforcing the need for digital banking innovations.
9. Annual Income Distribution: The largest income bracket is ₹3-5 lakh (36.8%) followed by those earning less than ₹1 lakh (26.3%).
10. Only 15.8% have incomes above ₹5 lakh, showing a predominant focus on lower- to middle-income groups. This highlights the need for affordable services and financial literacy initiatives tailored to this segment.
11. Transaction Speed: A majority 67.5% rated the bank's transaction speed as "Fast" or "Very Fast," indicating overall satisfaction. However, 29.8% were neutral, and 2.6% rated it "Slow," showing some room for improvement in transaction processing.
12. Technical Issues: While nearly half of respondents 47.4% never face technical problems, 21.1% reported always encountering them. This highlights a pressing need for improving technological systems to ensure a seamless banking experience.
13. Service Quality and Customer Perception: There are no significant differences in service quality perception across age groups, indicating a uniform experience. However, a gender-based difference $p = 0.017$ shows that females find banking fees less reasonable compared to males. Addressing such concerns could improve satisfaction levels among women.
14. Customer Loyalty: Annual income does not significantly influence loyalty, indicating that loyalty is driven by factors like service quality and customer satisfaction rather than financial status.

5. CUSTOMER SATISFACTION AND ISSUES

Category	Frequency	Percentage	Highlights
Trust in Data Security			62.3% are unsure about security, showing trust concerns
Yes	42	36.8%	
Maybe	71	62.3%	
Transaction Speed			67.5% rate speed "Fast" or "Very Fast"
Very Fast	35	30.7%	
Fast	42	36.8%	
Neutral	34	29.8%	
Technical Issues During Use			21.1% always face issues, indicating system improvement needs
Never	54	47.4%	
Always	24	21.1%	

1. Hypothesis Related to Age Group and Perception of Service Quality

- Null Hypothesis (H0): There is no significant difference in customer perception of banking service across different age groups.
- Alternative Hypothesis (H1): There is a significant difference in customer perception of banking service across different age groups.
- Interpretation:** Using the Kruskal-Wallis test, p-values for all service quality aspects (e.g., bank staff professionalism, timely service, and accessibility) were greater than 0.05. This means we failed to reject the null hypothesis. Hence, customer perceptions of service quality do not vary significantly among different age groups. This uniformity suggests that services are perceived similarly, regardless of age.

2. Hypothesis Related to Gender and Customer Satisfaction

- Null Hypothesis (H0): There is no significant difference in customer perceptions of banking services between male and female respondents.
- Alternative Hypothesis (H1): There is a significant difference in customer perceptions of banking services between male and female respondents.
- Interpretation:** The Mann-Whitney U test revealed significant differences ($p = 0.017$) in perceptions regarding the fairness of bank charges, suggesting that females find the fees less reasonable or transparent compared to males. However, for other aspects, such as satisfaction with service, problem resolution, or feeling valued, p-values exceeded 0.05, leading to acceptance of the null hypothesis for these dimensions.

3. Hypothesis Related to Income Levels and Customer Loyalty

- Null Hypothesis (H0): There is no significant difference in customer loyalty and preference for the bank across different income groups.
- Alternative Hypothesis (H1): There is a significant difference in customer loyalty and preference for the bank across different income groups.
- Interpretation:** The Kruskal-Wallis test found that p-values for all loyalty-related metrics (e.g., recommending the bank, preferring it over competitors, and staying loyal) exceeded 0.05. This indicates that income levels do not significantly influence customer loyalty or preference for the bank. Loyalty seems to be more dependent on service quality than on financial standing.

6. CONCLUSION

The study examines the impact of service quality on customer satisfaction and loyalty within cooperative banks in Surat District, specifically focusing on SUDICO. It highlights the importance of understanding customer expectations, addressing grievances, and tailoring services to meet customer needs. Improved service quality is shown to directly enhance customer satisfaction and loyalty, aiding banks in attracting and retaining their customer base. By identifying gaps and adapting strategies, cooperative banks can establish stronger customer trust and satisfaction, fostering sustainable growth.

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