

RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION: A STUDY OF MALAYSIAN BANKING INDUSTRY

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ABSTRACT

This paper is conducted to find out the relationship between service quality and customer satisfaction in the Malaysian banking industry. This paper uses SERVQUAL instrument questionnaire. The variables include in this paper are Service Quality as independent variable and Customer Satisfaction as dependent variable. The questionnaire includes 22 items of service expectations, 22 items of service performance perceptions, two different single items of service quality and customer satisfaction. A sample size of 200 respondents is conducted in Klang Valley Cities, Malaysia. A multivariate regression analysis is performed to study the impact of banking service quality on customer satisfaction in Malaysian banking industry. The results reveal that the expectations of Malaysian banks are higher than perceptions in terms of service quality. Their expectations are not met and that the largest gap is found in Reliability dimension. The findings from regression analysis suggest that banking service quality significantly influenced by customer satisfaction. In addition, the results from multiple regressions analysis show that the Tangible dimension has the largest influence on customer satisfaction. The findings provide several implications for bank managers and service organizations on the utilization of service quality evaluation to influence customer satisfaction. Also, limitations of the research are provided and the direction for future research is suggested for further study in the area of banking service quality and customer satisfaction. Implications of this paper are provided to both academic researchers and managerial practitioners.

KEYWORDS: *Malaysian banking industry, SERVQUAL, Service Quality, Customer Satisfaction*

I. INTRODUCTION

Banking services considered as one of the largest and fastest growth industry in Malaysia. This industry stimulates the development of new infrastructures which create new income-earning opportunities (Productivity Report 2010/2011). In Malaysia, the banking industry is substantially backed by commercial banks, investment banks, Islamic

banks, and international Islamic banks (Bank Negara Malaysia, 2014). They represent as the primary mobilizer of funds as well as the main source of financing to support the national economic activities. Meanwhile, the non-banking financial intermediaries comprising provident and pension funds, insurance companies, and takaful operators, as complement the banking institutions in mobilizing savings and meet the financial needs of the economy (Bank Negara Malaysia, 2014) .The banking industry has gone through a constant transformation in keeping up with the rapidly changing needs of the economy (Abdulah, Andrew, & Voon, 2010).

According to Auka, Bosire, and Matern (2013), service quality is one of the critical success factors that influence the competitiveness of a service organization. A bank can differentiate itself from competitors by providing quality service. Otherwise customer will not hold or purchase service products from the bank. If the bank ensures the service quality, then the customer will be loyal to the bank to take the service. Customers feel secured when they get quality service. As a result the main duty of the bank is to ensure the quality services to the prospective customers .Researchers have proven that providing good service quality to customers (Lovelock & Wirtz, 2011)retains them, attracts new ones, positive word-of-mouth recommendation, enhances corporate image, and above all guarantees survival and profitability (Negi, 2009; Ladhari, 2008).

In Malaysia, Malaysian financial institution is constituted by 27 commercial banks (8 domestically owned and 19 foreign owned banks) serve around 30 million of customers, either Malaysians and non-Malaysians (Bank Negara Malaysia, 2014; Department of Statistics Malaysia Official Website, 2014). The banking industry was chosen because it plays a main role in improving economic growth and plays an important role in service industry. Current situations of banking industry in Malaysia, particularly banks become larger, and the advent of internet banking, the issue arises whether the customers satisfy and what are the elements determine the satisfaction or dissatisfaction of customers in banking industry. Therefore, this paper would benefit to those in banking industry and allow them to understand the knowledge of current level of customers satisfaction as well as what are the key areas that maximize the satisfaction of customers.

There are numerous studies have identified the key services quality dimensions and its relation with customer satisfaction in banking industry in developed countries but relatively little literature has investigated service quality and its relation with customer satisfaction in

developing countries, ASEAN especially in Malaysia. It seem only very few studies referring to banking industry or question the SERVQUAL dimensional structure and its unique application in Malaysia banking industry (e.g. Jayaraman, Chelliah & Hor, 2010; Lo, Mahamad, Ramayah, & Mosahab, 2010; Khong, 2009, Abedniya & Zaeim, 2011). Therefore, more researches are needed to gain better understanding of services quality dimensions which related to customers satisfaction in Malaysia's prospect and add more value to the current findings in relevant areas. The objectives of this paper are threefold: One is to recognise the differences between expectations and perceptions of bank customers in Malaysian banking industry with regard to service quality dimensions. Second, is to recognize the intensity of each dimension of service quality in determining customer satisfaction in Malaysian banking industry. Third is to recognize important implications for bank managers so that they can attract and retain potential customers. The following questions have been developed:

- Q1. Are there any differences between expectations and perceptions of bank customers in Malaysian banking industry with regard to service quality dimensions?
- Q2. Which dimension has the greatest impact on customer satisfaction? And which dimension has the least impact on customer satisfaction?
- Q3. What are the service quality dimensions in banking industry and how valid and reliable are these dimensions on customer satisfaction?
- Q4. How does service quality affects on customer satisfaction in Malaysian banking industry?

II. LITERATURE REVIEW

Service Quality

Service quality has been a prominent research topic for many service marketers and researchers over the last three decades. Baron, Harris and Hilton (2009, p.167) maintain that:

“Service quality is the single most researched area in service marketing to date.”

The reason for the vast interest in service quality is obvious; poor quality places the firm at a disadvantage to the rest of the competition, potentially driving away dissatisfied customers (Lovelock & Wirtz, 2011). Service organizations are operating in extremely tough environments, and service managers now realize that improving service quality is crucial for gaining a competitive advantage (Baron et al., 2009).

Service quality can give high returns to the service organization when it is done correctly, Prakash and Mohanty (2013) conclude that the higher the levels of the produced service quality, the higher will be level of customer satisfaction, which can lead to higher sales and in increased intensions . In addition, Kapoor , Paul , and Halder (2011) refer the term service quality as the measurement of the standards of services rendered to the customer by the service provider to the best satisfaction of the recipient. Jayaraman et al. (2010) define it as “the customer’s overall impression and cognitive judgement of the relative inferiority or superiority of the organization and its services” or as “the difference between customer expectations for the service and the perceptions of the service received.” Boshoff and Du Plessis (2009, p.38) define service quality in terms of three key variables, namely: technical quality, functional quality, and quality image.

- Technical quality describes the service provided by the service organization. For instance, open an account or processing a home loan application.
- Functional quality describes how service is delivered. For instance, quickly and reliably processing a home loan application.
- Quality image refers to the outcome of both technical and functional quality. Customers receive the service and form an image about the service organization based on the service delivered (Boshoff & Du Plessis, 2009, p.38).

Evidences from the above studies support the opinion that different customers and different service organizations have different views on how service quality should be defined and what is actually means. By gathering the most frequently used definitions of service quality from literature; it is possible to recognize that service quality is greatly associated with an organization’s quest to satisfy customers. It can also be seen as a route to competitive advantage, the level of service perceived by assessing the differences between service expectations and service performance, the measurement of service standards compared with service expectations, and the result of the comparison that a

customer makes between their perceptions of the method by which the service has been delivered and their expectations about the service. The variety of the definitions reflects the difficulty in conceptualizing and defining service quality. It also reflects the dichotomy noted by Garvin (1988), that service quality is an unclear concept; easy to visualize and yet difficult to define. Service quality, therefore, has various definitions which emphasize three main aspects: meeting service specifications, meeting customer's expectations, and meeting customer satisfaction. For instance, to define service quality as a route to competitive advantage, it is vital to specify the service and at what particular level it will meet customer expectations and satisfactions. By doing this, service organizations can exceed the service quality level offered by their competitors. Obviously, these three areas cannot be separated because they are strongly related to each other. For instance, by meeting the service specification, customer expectations and satisfaction will be met.

SERVQUAL

Parasuraman, Zeithaml, and Berry (1985) made study on the four service trades such as retail banking, credit card company, security brokerage, and product repair pointed out that customers are the only judge of service quality. Customers evaluated service quality from the discrepancy of the expected service and the actual service felt. They defined service quality as the gap between customers' expectations of service and their expectations of the service experience. They have originally identified the ten major dimensions that affect service quality: 1. *Reliability* involves consistency of performance and dependability; 2. *Responsiveness* concerns the willingness or readiness of employees to provide service; 3. *Competence* means possession of the required skills and knowledge to perform the service; 4. *Access* involves approachability and ease of contact; 5. *Courtesy* involves politeness, respect, consideration, and friendliness of contact personnel; 6. *Communication* means keeping customers informed in language they can understand and listening to them; 7. *Credibility* involves trustworthiness, believability, and honesty; 8. *Security* is the freedom from danger, risk, or doubt; 9. *Understanding/ Knowing the customer* involves making the effort to understand the customer's need; 10. *Tangibles* included the physical evidence of the service.

At a later study, Parasuraman, Zeithaml, and Berry., (1988) developed a 22-items instrument, recognized as SERVQUAL, which has become widely used as a generic instrument for measuring service quality (Ladhari, 2008). The instrument items represent the 5 dimensions: 1.

Tangibility: The appearance of stereographic facility, equipment, and staff; 2. *Responsiveness*: The desire of assists the customer and provide real time service; 3. *Reliability*: Accurate and reliable capability of execute the service promised; 4. *Assurance*: The knowledge, courtesy, and service outcome of the staff won customer's trust; 5. *Empathy*: Care about the personal service provided to the customer.

SERVQUAL consists of two sections: a 22-items section measuring the service quality expectation with a specific sector and corresponding 22-items section measuring the perception of service quality of a particular company in that sector (Parasuraman et al., 1988). SERVQUAL scores defined as the differences between expected service quality and the perceived one.

SERVQUAL instrument has received widespread acknowledged as a breakthrough in service quality assessment, has been considered as established tool for measuring service quality, has been widely used, and has been adapted to banking industry (e.g Jayaraman et al., 2010; Ghost & Gnanadhas, 2011; Jain , Gupta, & Jain, 2012; Amin & Isa, 2008; Guo,Duff & Hair, 2008; Wong, Rexha & Phau, 2008; Islam & Ali, 2011; Ladhari, 2008).

Customer Satisfaction

In the competitive banking industry, customer satisfaction is considered as the essence of success (Siddiqi, 2011) .Customer satisfaction is one of the non-financial indicators which is an experience of purchase or a comparison of the rewards and costs vis-à-vis customers' expectations and actual performance of product purchasing in relation to expected consequences (Anderson ,Fornell & Lehmann, 1994). Oliver (1997) indicates that the most popular view of customer satisfaction in academia is that customer satisfaction is the judgment borne out of the comparison of pre-purchase expectations with post purchase evaluations of the product or service experience. This is in line with the definition by Verma (2012, p.17), customer satisfaction defined as *"an outcome of the purchase and use of product and services, resulting from a customer's comparison of the rewards and costs of the purchase in relation to the anticipated consequence."* Put it another way, customer satisfaction is the percentage of total customers who reported that their experience with the company or its products exceeded specific satisfaction goal (Farris, Bendle, Pfeifer, & Reibstein, 2010). From the above mentioned, it seems that a customer would experience satisfaction if the rewards of the related purchase and its uses were in line with anticipated consequences of the transaction. Customers make value judgments,

based on their perception of the experienced performance of the product or service against the actual performance.

Various studies that focused on a link between satisfaction and service quality argued for different views in terms of relationship. Some researchers think that service quality leads to satisfaction (Negi, 2009) and others support that satisfaction leads to service quality (Cronin & Taylor, 1992). Customer satisfaction is based on the level of service quality delivered by the service providers (Saravanan & Rao, 2007) which determined by the customer's cumulative experiences at all of the points of contact with service organization (Cicerone et al., 2009, p.28). This shows that there is some link between service quality and customer satisfaction which highlights that importance of customer satisfaction when defining of service quality (Wicks & Roethlein, 2009, p.83).

Hypotheses

This paper is conducted to address the following hypotheses:

- H1: There is a significant difference between customers' expectation and customers' perceptions with regard to the five dimensions of service quality.
- H1a: There is a significant difference between customers' expectation and customers' perception with regard to Assurance dimension of service quality.
- H1b: There is a significant difference between customers' expectation and customers' perception with regard to Reliability dimension of service quality.
- H1c: There is a significant difference between customers' expectation and customers' perception with regard to Tangibility dimension of service quality.
- H1d: There is a significant difference between customers' expectation and customers' perception with regard to Empathy dimension of service quality.
- H1e: There is a significant difference between customers' expectation and customers' perception with regard to Responsiveness dimension of service quality.
- H2: There is a significant impact of banking service quality dimensions on bank customers' satisfaction.
- H2a: Assurance positively affects on customer satisfaction.
- H2b: Reliability positively affects on customer satisfaction.
- H2c: Tangibility positively affects on customer satisfaction.

H2d: Empathy positively affects on customer satisfaction.

H2e: Responsiveness positively affects on customer satisfaction

III. RESEARCH METHODOLOGY

Data Collection

The five dimensions of services quality (SERVQUAL) have been selected from the studies done by Parasuraman et al. (1988). SERVQUAL is the most frequent using approach to measure service quality, which is to compare the customers' expectations before they are having any transaction or agreement and their perceptions of the actual services delivery to them (Lewis and Booms, 1983; Parasuraman et al, 1985).

The researcher decided to use questionnaire to collect the data from respondents. The questionnaire was design and distributed to target respondents randomly in selected cities in Klang Valley. Targeted respondents are those with legal age and holding Savings and/or Current Account in any of the local banks in Malaysia.

The questionnaire used in this study is to measure Malaysia Banks customers' services quality perceptions, expectations, and customer satisfactions. The questionnaire comprised three parts as following provide:

- Part I – This form of statement demonstrated expectations (E) and perceptions (P) of respondents according to five dimensions of SERVQUAL model. These dimensions are Tangibility, Reliability, Responsiveness, Assurance, and Empathy. A seven-point Likert scale rank from “Strongly disagree = 1” to “Strong agree = 7” is used to measure the 22 items. Expectations, perceptions, and gap scores for each item are given individually for Malaysia bank customers. P (perceptions) – E (Expectations) are used to find gap scores because service quality depend on a products perceived performance in delivery value relative to a buyers' expectations. Thus, based on the expectancy- disconfirmation paradigm, if $E > P$, the customer is dissatisfied whereas if $E < P$, the customer is satisfied (Kotler & Keller, 2012; Parasuraman et al., 1985, 1988).
- Part II –This form of statements reflects the customers' rating of overall services quality and overall satisfaction or dissatisfaction. For question 1, customers are required to respond the statement on a seven-point Likert scale that

rank from “Extremely poor =1” to “Extremely good =7”. Subsequently, question 2 asking customers to answer the statements on a seven-point Likert scale that rank from “Very dissatisfied =1” to “Very satisfied =7”.

- Part III – This form of statements reflects questions about personal profiles of the respondents including gender, education level, age, race, and etc.

The questionnaires took a month to process, which began on August 26th to September 18th, 2011. Questionnaires were surveyed by eight Malaysia local bank customers in Klang Valley areas. These local banks are: MayBank, CIMB, Public Bank, Hong Leong Bank, AMBank, Alliances Bank, Rhb Bank, and Affin Bank. Questionnaires were handed to bank managers to facilitate them to distribute to their customers. Some of it was distributed to friends, students, and their family members. The sample size for this research is 200 respondents where 25.7 percent is Malay, 52.5 percent is Chinese, and 20 percent is Indian.

Table 1: Demographic breakdown of the Malaysia bank customers.

Profile	Frequency	Percentage (%)
Gender		
Male	120.0	60.0
Female	80.0	40.0
TOTAL	200.0	100.0
Age		
Less than 20 years	3.0	1.5
20-29	84.0	42.0
30-39	68.0	34.0
40-49	35.0	17.5
50 or more	10.0	5
TOTAL	200.0	100.0
Qualification		
No formal education	3.0	1.5
Secondary/ High School	46.0	23.0
College/ University Diploma and Degree	106.0	53.0
Master or PhD	45.0	22.5
TOTAL	200.0	100.0
Marital Status		
Married	80.0	40.0
Single	120.0	60.0
TOTAL	200.0	100.0
Working Industry		
Services	42.0	21.0
Computer/ IT	34.0	17.0
Engineering	30.0	15.0
Manufacturing	26.0	13.0
Healthcare	22.0	11.0
Others	46.0	23.0
TOTAL	200.0	100.0

Working Sector		
Public sector	44.0	22.0
Private sector	113.0	56.5
Self-Employed	32.0	16.0
Others	11.0	5.5
TOTAL	200.0	100.0
Race		
Malay	54.0	27.0
Chinese	105.0	52.5
Indian	41.0	20.5
TOTAL	200.0	100.0

Research Findings

The results have underlined the significant differences between expectations and perceptions of these five dimensions occurred as indicated by t-tests. The result shows that there are significantly different between expectations and perceptions of Malaysian bank customers regard to Tangibility (TA), Reliability (RE), Responsiveness (RS), Assurance (AS), and Empathy (EM) dimension of service quality. Thus, the hypotheses of H1 (H1a, H1b, H1c, H1d, and H1e) are supported. In addition, the expectations of Malaysian Bank customers on service quality items are higher than their perceptions. It means that the expectations of bank customers are not met and that the largest gap is finding in the Reliability dimension. We understand that the respondents' overall expectation score are high and this implies that customers expect a lot from the banks. Generally, the expectations are fairly high since they are all above 5. Looking at the individual dimensions, we realize that customers expect a lot from the Reliability dimension which score is 5.930. Customers are therefore very sensitive to how reliable a bank is in providing good and with quality products or services to them. Thus, Hypothesis 1 (H1a, H1b, H1c, H1d, and H1e) are supported.

Table 2: Grand mean scores and t-test results of SERVQUAL instrument for Malaysia bank

SERVQUAL dimensions	P	E	G	t-statistics	Sig
Tangibility	5.420	5.695	-0.275	6.314	0.000
Reliability	5.433	5.930	-0.497	14.975	0.000
Responsiveness	5.378	5.568	-0.190	5.873	0.000
Assurance	5.200	5.660	-0.460	15.902	0.000
Empathy	5.196	5.490	-0.294	9.103	0.000

Notes: P, E, and G denote Perceptions, Expectations, and Gap scores, respective Significance level 0.05.

Table 3: Correlation coefficients among variables

Variable	CS	TA	RE	RS	AS	EM
CS	1.00					
TA	0.651*	1.00				
RE	0.635*	0.619*	1.00			
RS	0.413*	0.252*	0.482*	1.00		
AS	0.276*	0.109	0.127	0.131	1.00	
EM	0.523*	0.390*	0.403*	0.318*	0.135	1.00

Notes: CS, TA, RE, RS, AS, and EM denote Customer Satisfaction, Tangibility, Reliability, Responsiveness, Assurance, and Empathy.*Significance level 0.05.

Table 3 shows that all five independence variables are significantly with the Customer Satisfaction variable at the 0.05 level. Therefore, the five dimensions of SERVQUAL are significantly to predict the variations in Customer Satisfaction. This finding confirms the hypothesis H2 that the service quality has a positive and significant relationship with the Customer Satisfaction. The dimensions for Tangibility, Reliability, Responsiveness, Assurance, and Empathy also show a positive and significant relationship with the Customer Satisfaction. This particular finding confirms the hypotheses H2a, H2b, H2c, H2d, and H2e that these five dimensions have a positive and significant relationship with Customer Satisfaction. Among all the independent variables, Tangibility dimension (r=0.651) and Reliability dimension (r=0.635) have the strongest association with the dependent variable which is Customer Satisfaction. Then, that is followed by Empathy dimension (r=0.523), Responsiveness dimension (r=0.413), and Assurance dimension (r=0.276). For the relative importance of these five dimensions to Customer Satisfaction is shown by Multiple Regression analysis.

Table 4: Summary of Results of Regression model for Malaysia bank customers' satisfaction (Based on SERVQUAL Dimension)

Variables	Coefficient	t-statistic	Sig
Model 2: CS = Constant + TA + RE + RS + AS + EM+ ε	-	-	-
Constant	-2.147	-4.476	0.000
TA	0.466	6.221	0.000
RE	0.307	3.759	0.000
RS	0.130	2.100	0.037
AS	0.227	3.482	0.001
EM	0.247	4.374	0.000
R ²	0.601		
Adjusted R ²	0.591		
F-statistic	58.519		

Note: TA, RE, RS, AS, and EM denote for coefficient of Tangibility, Reliability, Responsiveness, Assurance, and Empathy respectively. Significance level 0.05.

Table 4 shows a summary of the regression results. The model has the following form:

$$CS = \text{Constant} + TA + RE + RS + AS + EM + \epsilon$$

Where

- CS = Customer Satisfaction
- TA = Tangibility
- RE = Reliability
- RS = Responsiveness
- AS = Assurance
- EM = Empathy
- ε = Error Variable

It shows the constant of this model is -2.147 and coefficient of TA = 0.466, RE = 0.307, RS= 0.130, AS= 0.227, and EM = 0.247. Coefficient of TA, RE, RS, AS, and EM are significantly at 0.05 level. The results provide in table 4 shows that the R square is 0.601. This indicates that the five independent variables explain 60.1 percent of the variations in Customer Satisfaction. F-statistic is 58.519 and it is significant at the 0.05 level. Thus, this model is significant appropriate to explain the variations in Customer Satisfaction. Thus, these five dimensions of SERVQUAL are significant influence on Customer Satisfaction. The resulting regression model is:

$$CS = -2.147 + 0.466(TA) + 0.307(RE) + 0.130(RS) + 0.227 (AS) + 0.247 (EM)+\varepsilon$$

The results from Table 4 indicate that hypothesis 2 is supported. This is because the significant p-value is lesser than 0.05. Therefore, there is a relationship between five dimensions of SERVQUAL and Customer Satisfaction. From the Pearson correlation coefficient, r, it can be concluded that five dimensions of SERVQUAL has a positive relationship with Customer Satisfaction. This indicates that when perception of service quality is high, customer satisfaction is following to high. This result is supported by past research conducted in other countries in banking industry.

From this paper , it clear enough to conclude that Tangibility dimension is the most significant independent variable with the largest beta coefficient, followed by Reliability dimension, Empathy dimension, Assurance dimension and Responsiveness dimension.

Tangibility

In service organization, customers often rely on tangible evidence that surrounds the service to form their own evaluation of the service (Srinivasan , 2012). The hypotheses test in this paper confirms that tangibility and customer satisfaction are positively correlated with

each other. The reasonable explanation of this finding is that the bank customers often look for tangible indications which considered as indicators of the service quality. For instances, the customers can assess the premises of the banks, or perhaps the appearance of the bank's staff. Zaim , Bayyurt and Zaim (2010) found out that tangibility is the important factor for customer satisfaction.

Reliability

Reliability is the extent to which the service is delivered to the standards expected and promised (Siddiqi, 2011) or it represents the customer getting what they feel they have paid for. Based on the findings, there is a positive relationship between reliability and customer satisfaction in Malaysian banking industry. Result has shown that customers are satisfied with the services provided by the bank as promised and handling (speed) problem. Customers are confident that banks will fulfill the promised terms and conditions which will not go against their (customers) interests. Mohammad and Alhamadani (2011) pointed out that reliability is one of the important factors of customer satisfaction.

Responsiveness

Responsiveness dimension is concerned in dealing with the customer's requests, questions, and complaints promptly and attentively (Siddiqi, 2011). It is the responsibility of banks to communicate with the customers regarding the duration they will get back the customers enquiries and how would them in handling or managing the customers' problems. Companies should understand the concerns rise from the customers rather than their individual's perspective (Zeithaml, Bitner & Greenier, 2009).

This paper shows that responsiveness and customer satisfaction are positively correlated. The banks customers in Malaysia prefer a friendly bank where they are willing to assist customers in banking operations. Willingness to assist customers is likely to bring a positive satisfaction of customers in Malaysian banking industry. Mengi (2009) also found that responsiveness is positively related to customer satisfaction.

Assurance

Assurance is the degree of trust and confident of customers to feel that the services providers are competent to provide the services (Siddiqi, 2011). The customer will not be satisfied if he or she did not feel assured about the competence of the service provider. Based on the findings, assurance shows a positive correlation with customer satisfaction

in this paper. The explanation under this finding is that the banks should build the confidence to the public in order to get the higher rates of customers satisfaction and to increase the professionalism in their services especially the assurance they promise to customers i.e. to competent their roles and responsibilities. Thus, the banks should always re-examine their assurance whether they fulfill the customers' expectations. This is a way to retain the customers and would become a significant to that particular bank in public. Ravichandran, Mani, Kumar, & Prabhakaran (2010) pointed out that assurance is one of the important criteria on customers' satisfaction.

Empathy

Empathy is regarding the way to serve the customer whether the customers able to feel the uniqueness or special care from the banks (Srinivasan, 2010). There are several examples that most of the services providers would neglect which are customers' names, customers' preferences and what are the needs that customers look for. There are quite numbers of small companies using this technique to provide a customized services as a competitive advantages over the larger organizations (Zeithaml et al., 2009). This dimension is important where it is able to determine the 'survival' of a particular service organization building the relation with customers as opposed to 'transaction marketing' (Andaleeb & Conway., 2006).

Through the data obtained, customers always looking for high degree of interaction with banks employees and personalized services. They always expect that the front line employees are able to assist them and understand what they needs. This paper confirms that empathy have a positive correlation with customers satisfactions. Ladhari (2008) finds that empathy is the strongest predictor of customers' satisfactions.

Managerial Implications

We are able to get several implications through the findings where banks managers and service organizations on the utilization of services quality evaluations would influence customers' satisfaction.

First, this paper has shown the interrelation between services quality and customers satisfaction in Malaysian banking industry. This paper confirms the positive relation between all the services quality dimensions and customers satisfaction. This paper suggests that SERVQUAL is the most suitable instrument to measure the banks services quality in Malaysia. Therefore, bank managers are advisable

to use this instrument to access the banks services quality. Moreover, all the dimensions of services quality are positively correlated with customer satisfaction, therefore bank managers should emphasize all the services quality dimensions in maintaining and improving the services quality that they provide. Tangibility shows that the higher positive correlation with customers satisfaction in this paper.

Second, it is a wastage expenses to search or attract new customers than retaining the existing customers (Schlesinger & Heskett, 1991), banks have to re-secure or re-examine their company's mission or objectives in providing services whether comprehensive enough to fulfill the customers' expectations. This paper has show that customers are looking for banks to keep their promises, provide the prompt services, and having employees who are willing to assist customer and competent in doing their jobs. Due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes 'service excellence' will be beneficial for Malaysian banking industry.

Third, due to some expectations of bank customers do not fulfill accordingly, Malaysian banking industry needs to assess what customers expected from them in terms of products and services and thus provides customer specific and unique services. Malaysia banks managers should organize some training programmes to improve the employees in handling the customers' problems comprehensively and to raise their understanding about the importance in providing quality services especially the outcomes of it which eventually will tarnish the image or reputation of banks if they did not do it properly. Training programmes should comprise different topics especially interpersonal communication and customer care factors, in order to fulfill the customers need in 'personalized services'. The professionalism of employees possess also should be take note. Reason being if the employee able to interact with customers with an emphatic manner, to provide a prompt service to handle some defaults or failures issues or delivery a good service consistently as promised will help the banks to compete in this challenging industry. At the end, it will help to raise the customers' satisfaction, extend the customers tolerance in services failures, increase recommendations of banks and finally to increase the customers loyalty.

Fourthly, Malaysia banks management level should stand in the step of customers to think about their concerns and implement customer-contact programmes. A successful banking should understand the importance of retaining existing customers because based on the

findings, we able to notice that customers' satisfaction is significantly influenced by banking services quality. The responsibilities of customer-contact personnel are important to find out the customers difficulties and problems the time they dealing with banks. The banks should not neglect the internal public i.e. existing customer and pay too much concentration in getting external publics i.e. future customers. The banks should always ask themselves several questions which are considered highly important which are what motivate customer-contact employees? Which factors lead to satisfaction or dissatisfaction of customers? The banks should always asking themselves regarding these questions because different periods in different matters, they will come with a different conclusion, there is no a specific way to follow and in order to compete in this challenging market, the banks should not avoid to answer this questions. Ignoring would bring an obstacle or a barrier in improving the services quality.

Last but not least, the banks management has to make sure that thing are done properly in first hand and have to ensure that the promises are delivered. The management should always ensure their employees are competent enough in handling customers' needs and understand customers concern. Listening is an art, its not only to understand the words but employees have to go further to understand every single meaning behind the words. Personalities or characteristics of individual employees should be paying highly attention in order to improve their weakness so that they are able to provide a courtesy and more initiative to complete their jobs.

IV. Limitations and Recommendations for future Research

The current paper presented exhibit limitations that should be considered. The limitations are as follows:

- i. The sample size of the current paper is 200. This sample size meets the minimum requirement. The researcher may use a bigger sample size to find out more about service quality and customer satisfaction in Malaysian banking industry.
- ii. Other variables may influence customer decision making process in the banking industry, such as price, convenience, interest rate and etc.
- iii. This paper covers the customers of local banks in Malaysia. The foreign banks that have a role in the banking industry in Malaysia were excluded from this paper.

Several issues, associated with the limitations inherent in this paper, require further research considerations. Future research should concentrate on a bigger sample size and all types of banks (including foreign banks) in Malaysia. In addition, more decision making variables should also be considered in the research model.

CONCLUSION

Services quality is essential in today's competitive market, it is equally important that a customer experiences the 'Wow Effect' that only superior customers' services can deliver. A business that caters to their customers' needs will inevitably gain the loyalty of their customers. Thus resulting in repeat business as well as potential referrals.

From the gap scores analysis, it has found that customers have higher expectations than what they actually receive from the banks. This paper manages to determine the relationship between the five dimensions of SERVQUAL on customers' satisfaction. From the analysis conduct, all five dimensions of SERVQUAL have a significant relation with customers' satisfaction.

Finally, to conclude this paper, future research is needed to justify and strengthen the outcomes of this research. They may conduct a research which similar to this topic but with different situation in the research. A slight change in the research context could bring the changes in findings. Therefore, future researchers are welcoming to conduct a similar research in this field.

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