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MANAGEMENT | RESEARCH ARTICLE

Service quality and delivery in banking services—An Indian perspective

Abhinav Gupta^{1*}

Abstract: The banking service industry has experienced great change in recent decades. The present study covers the domains of Job satisfaction of employees and its impact on the service quality delivered by them. Exploring further the construct of employee job satisfaction amongst the three groups of banks, an attempt that is unique to this research, one finds that as expected, there is a difference between the three groups of banks in terms of the job satisfaction levels experienced by them. The overall job satisfaction is reported to be the highest amongst the PSU bank employees. The private and foreign bank employees are less satisfied compared to their counterparts working in PSU banks. Context job satisfaction factors (i.e. satisfaction with pay, variety of activities, environment and security) are more descriptive of employee job satisfaction than the content factors (i.e. satisfaction with work, customer interaction and promotion). In the case of PSU bank employees, the opportunity to interact does not contribute to the overall job satisfaction in the regression analysis. One striking result is that marital status is a significant contributor to overall job satisfaction of employees with married employees being more satisfied than the unmarried ones. The aspect of salary (pay) has the least contribution to the overall job satisfaction. This is a positive result in the sense that employees will not be influenced by higher pay offers from competitors but also draw the attention of the bank to the significant factors like environment, variety of activities that are major contributors to job satisfaction.

ABOUT THE AUTHOR

Abhinav Gupta is working as an assistant professor in Faculty of Management Studies with SRM University, Delhi-NCR, Haryana. Primarily the author is working on the research theme of environment responsive consumption behaviour for consumer durables.

This research paper explores the job satisfaction level in three forms of banking organizations i.e. PSU Banks, Private Banks and Foreign Banks. The overall job satisfaction is reported to be the highest amongst the PSU bank employees. The private and foreign bank employees are less satisfied compared to their counterparts working in PSU banks who are not influenced by higher pay offers from competitors but also draw the attention of the bank to the significant factors like environment, variety of activities that are major contributors to job satisfaction.

PUBLIC INTEREST STATEMENT

The banking service industry has experienced great change in recent decades. The present study covers the domains of Job satisfaction of employees and its impact on the service quality delivered by them. Exploring further the construct of employee job satisfaction amongst the three groups of banks, an attempt that is unique to this research, one finds that as expected, there is a difference between the three groups of banks in terms of the job satisfaction levels experienced by them. The overall job satisfaction is reported to be the highest amongst the PSU bank employees. The private and foreign bank employees are less satisfied as compared to their counterparts working in PSU banks. Context job satisfaction factors (i.e. satisfaction with pay, variety of activities, environment and security) are more descriptive of employee job satisfaction than the content factors (i.e. satisfaction with work, customer interaction and promotion).

Subjects: Human Resource Management; Services Marketing; Work & Organizational Psychology

Keywords: banking; service delivery; employee satisfaction; job satisfaction

1. Introduction

The banking service industry has experienced tremendous growth and undergone great change in recent decades. In the developed countries, it now employs far more people than the total for manufacturing industries. Varying forms of deregulation, competition and more demanding customers have created an environment significantly different from that which existed only a few years ago. In this perfectly competitive market where barriers to entry are minimal, it has become more than necessary to attract new customers and retain the existing ones. Customer delight is the key which can be attained by delivering higher than expected service and the service employees become the customer contact point which reveals the moments of truth to cast an everlasting impression which either makes the customer a positive brand ambassador or spread negative publicity. The present study covers the domains of Job satisfaction of employees and its impact on the service quality delivered by them. Exploring further the construct of employee job satisfaction amongst the three groups of banks, an attempt that is unique to this research, one finds that as expected, there is a difference between the three groups of banks in terms of the job satisfaction levels experienced by them. The overall job satisfaction is reported to be the highest amongst the PSU bank employees. The private and foreign bank employees are less satisfied compared to their counterparts working in PSU banks. Context job satisfaction factors (i.e. satisfaction with pay, variety of activities, environment and security) are more descriptive of employee job satisfaction than the content factors (i.e. satisfaction with work, customer interaction and promotion). In the case of PSU bank employees, the opportunity to interact does not contribute to the overall job satisfaction in the regression analysis. One striking result is that marital status is a significant contributor to overall job satisfaction of employees with married employees being more satisfied than the unmarried ones. The aspect of salary (pay) has the least contribution to the overall job satisfaction. This is a positive result in the sense that employees will not be influenced by higher pay offers from competitors but also draw the attention of the bank to the significant factors like environment, variety of activities that are major contributors to job satisfaction.

2. Literature review

Employee satisfaction is perhaps the most frequently studied construct in the organizational sciences (Schneider & Brief, 1992), with over 5,000 articles and dissertations having been written on the topic to date (Cranny, Cain Smith, & Stone, 1992).

An approximation of the definition of job satisfaction first requires a general definition of the concept of satisfaction. Numerous attempts have been made by researchers to define the concept of satisfaction, and they all acknowledge that satisfaction is the final state of a psychological process. In the case of job satisfaction, although there is no universal definition of the concept of job satisfaction, it can be conceived of as a multi-dimensional concept that includes a set of favourable or unfavourable feelings by which employees perceive their job.

According to Weiss and Cropanzano (1996), job satisfaction represents a person's evaluation of one's job and work context. This definition is still being debated. It captures the most popular view that job satisfaction is an evaluation and represents both belief and feelings. It is an appraisal of the perceived job characteristics and emotional experience at work. Satisfied employees have a favourable evaluation of their job, based on their observations and emotional experiences. Saleh (1981) states that job satisfaction is a feeling which is a function of the perceived relationship between all that one wants from his job/life and all that one perceives as offering or entailing. The emphasis here is on all that one wants, whether it is important for self-definition or not. Luthans (1989) states that job satisfaction is a pleasurable, or positive emotional state resulting from the appraisal of one's job, or job experience and is the result of the employee's perception of how well the job provides those things which are viewed as important.

2.1. Factors responsible for job satisfaction and job dissatisfaction

Employees tend to prefer jobs that give them opportunities to use their skills and abilities and offer a variety of tasks, freedom and feedback on how well they are doing. Jobs that have too little challenge create boredom, but too much challenge creates frustration and a feeling of failure. Under conditions of moderate challenge, most employees will experience pleasure and satisfaction (Katzell, Thompson, & Guzzo, 1992).

For many decades now, the view that job satisfaction affects employee performance has received much attention in the literature. The general consensus from numerous studies was that employee satisfaction is only mildly, but positively, linked to general measures of performance. Some scholars even downplayed the link between employee satisfaction and general measures of performance (Petty, McGee, & Cavender, 1984). It was only when other scholars (Organ, 1988) focused on qualitative conceptualisation and measures of employee performance, that these researchers identified significant linkages between job satisfaction and performance. Consequently, the view that satisfied employees will deliver quality service or improved performance has almost become an axiom in the service literature.

Yet, notwithstanding the apparent support for the hypothesis, some studies suggest that overall job satisfaction, as well as some specific dimensions of satisfaction, may not always reflect positively in terms of customer orientation (Hoffman & Ingram, 1992; Wilson, 1997) or customer perceived quality. Besides, to date, only a few studies have examined how various dimensions of job satisfaction and related moderator variables may explain service performance.

2.2. Employees-customer links

Several empirical studies show that it is impossible to maintain a satisfied and loyal customer base without satisfied and loyal employees. The studies show a significant impact on customer satisfaction following an improvement in employee attitudes. The linkage between customer and employee variables has also been depicted by Heskett, Sasser, and Schlesinger (1997) within a framework termed the service profit chain or employee-customer profit chain. More recently, Brooks (2000) overviews the research on the relationships between financial success and customer and employee variables. According to this research, between 40 and 80 per cent of customer satisfaction and loyalty is determined by the customer-employee relationship, depending on the industry and market segment that is being considered.

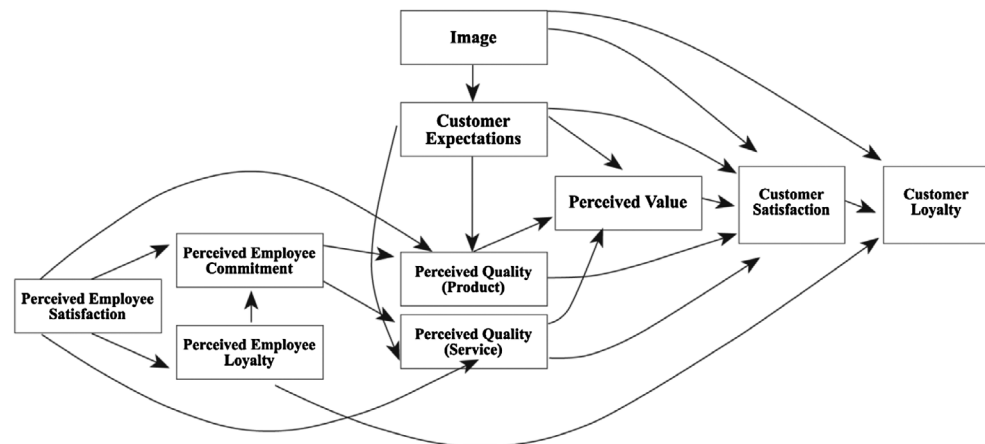
On the other hand, as Crosby, Grisaffe, and Marra (1994), Crosby (2002) point out: “If employees are truly motivated by a desire to do quality work that meets customer needs, then achievement of that outcome (customer satisfaction) should contribute to their own satisfaction as well.”

So, compelling evidence shows that there is a strong linkage between employee and customer satisfactions.

2.2.1. Employee-customer links in the European customer satisfaction index (ECSI) model

The new ECSI model, has included three latent variables (perceived employee satisfaction, perceived employee loyalty and perceived employee commitment) that represent employee satisfaction and behaviour as perceived by the customer. This choice is based on two kinds of assumptions: on the one hand, these are the variables, regarding employee satisfaction and behaviour, that are likely to explain customer satisfaction, and on the other hand, these are the variables that can be most easily perceived by the customers. Nevertheless, these customer perceptions about employee satisfaction, loyalty and commitment are not necessarily correct. However, they can be good proxies for the “true” employee variables, particularly in companies where there are close and regular contacts between customers and employees. The new extended model is shown in Figure 1. The rectangles represent latent variables, which are associated with a number of manifest variables not shown in the figure. The lines represent casual relationships. The model includes nine interrelated latent variables with two exogenous variables: image and perceived employee satisfaction.

Figure 1. New extended customer satisfaction model.



2.3. The critical role of employees in service delivery

The interactive nature of service delivery places service employees in a very critical role in the delivery of quality services and even asserts that employees are the “service”, “the organisation” and “the marketers”. Given the metaphor of services as “performances” or “drama” (Grove, Fisk, & Dorsch, 1998) in which an employee acts, emotions and attitudes affect the quality of the service and the employees’ critical role cannot be over-emphasised. Studies on service encounters also show that events which delight customers most and which are associated with high perceived quality are related to the extra behavioural efforts of service personnel. This is understandable because the extant literature on service quality indicates that most of the criteria by which customers evaluate the perceived quality of services, such as empathy, reliability, courtesy, assurance and even tangibility (Parasuraman, Zeithaml, & Berry, 1985), are all associated with employee favourable behaviours and attitudes. These favourable behaviours which enhance a harmonious and quality internal service climate, as well as customers’ perceptions of service quality, have been described variously as service orientation, customer orientation, prosocial behaviours and performance quality (Hallowell, Schlesinger, & Zornitsky, 1996; Singh, 2000). The importance of such behaviours to process quality and interactive quality has also been noted.

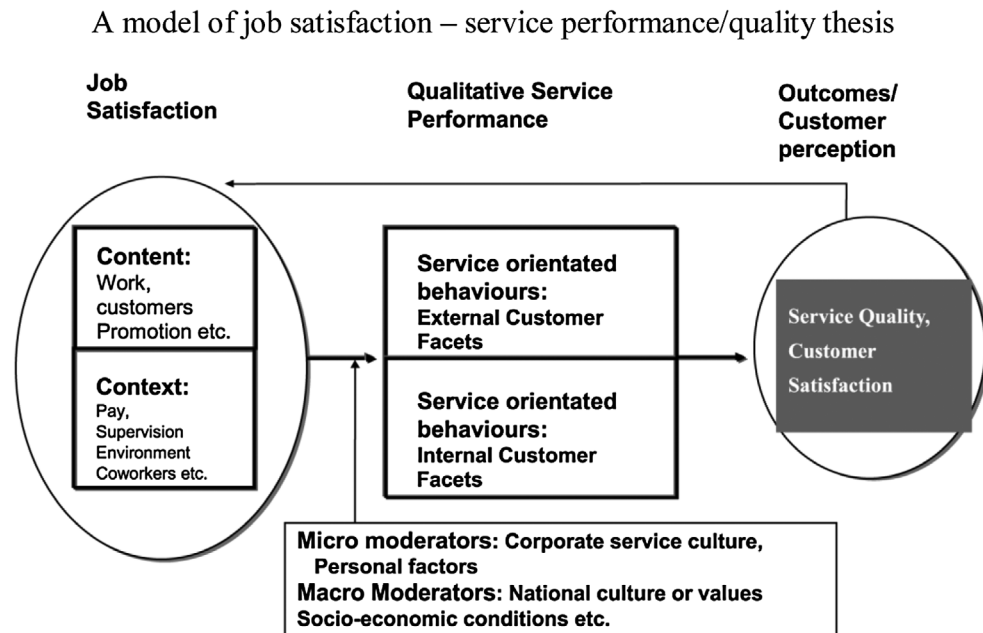
2.4. Job satisfaction and service performance

For many decades now, the view that job satisfaction affects employee performance has received much attention in the literature. The general consensus from numerous studies was that employee satisfaction is only mildly, but positively, linked to general measures of performance. Some scholars even downplayed the link between employee satisfaction and general measures of performance. It was only when other scholars focused on qualitative conceptualisation and measures of employee performance, that these researchers identified significant linkages between job satisfaction and performance. Consequently, the view that satisfied employees will deliver quality service or improved performance has almost become an axiom in the service literature.

In line with the perceived importance of service employees in the delivery of services, many scholars have stressed the need for service managers to pay keen attention to employee satisfaction. Particularly, Schlesinger and Heskett’s (1991, p. 19) model termed, “The cycle of success model” suggests that satisfied employees will deliver high service quality. This view is commonly termed “The job satisfaction-service performance/quality thesis”. The apparent logic is that employees who are satisfied with their jobs tend to be cooperative, helpful, respectful and considerate to both co-workers and customers. Thus satisfied employees will deliver quality services to both internal and external customers. According to the dual theory of job, the construct can be categorised into two distinct dimensions, variously termed context or hygiene and content or motivator elements. The theory assumes that there are different factors which cause satisfaction and dissatisfaction. The authors propose that only content elements account for satisfaction, while context elements only

Figure 2. A model of job satisfaction—service performance/quality thesis, Wilson and Frimpong (2004).

Source: Authors.



affect dissatisfaction if absent but do not themselves cause satisfaction. Given that job satisfaction is linked to employee motivation to perform or behave in specific way, the dual theory may suggest that content and context satisfaction may also relate differently to service performance quality. However, there has been mixed support for this theory. While some studies suggest context satisfaction does not contribute significantly to overall satisfaction, others indicate both content and context satisfaction equally explain satisfaction, and therefore, the motivation through it (see Figure 2).

2.5. Customer contact employees and service quality

In customer-contact businesses like banking, the quality of service delivered cannot be separated from the “quality” of the service provider (Lewis, 1989). Because service delivery occurs through human interaction, customer-contact personnel during the service encounter largely determines the level of service quality delivered. All kinds of behaviour and actions on the behalf of customer-contact employees during the service encounter cannot be directed and controlled by management. Hence, it can be argued that during the “moments of truth” of service encounters, it is the discretionary behaviour of committed customer-contact employees that will largely determine service quality perceptions and customer satisfaction on the external front. Different forms of organisational commitment have different impacts on service quality. Further, the job satisfaction of employees is critical to delivering service quality, as satisfied customers can only be created by satisfied employees. The relative influence of different forms of commitment and job satisfaction on service quality remains largely unexplored in the services marketing literature.

3. Hypothesis development

This study will focus on the importance of the role of job satisfaction of bank customer-contact employees in relation to the service quality delivered to customers. The paper tests empirically the relationship between the job satisfaction of these contact employees and service quality in the retail banking sector and compare the private and public sector banks in this regard.

The following hypotheses have been formulated for this study:

H1: There will be difference amongst the job satisfaction of employees amongst the three groups of banks.

H2: Context job satisfaction (i.e. satisfaction with pay, variety of activities, environment and security) which does not directly correspond to the object of service performance quality) will be less predictive of overall employee satisfaction than content satisfaction (i.e. satisfaction with work, customer interaction and promotion).

H3: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) customer perceptions of service quality.

H4: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) delivering customer service.

H5: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) customer satisfaction.

The present study covers the domains of Job satisfaction of employees and its impact on the service quality delivered by them. A satisfied employee will create a satisfactory encounter with the customer and lead to the latter's tendency to retain its services with the bank.

4. Scope of the study

The study is limited to the banks located in Delhi. The questionnaire designed for the bank employees was tested for face validity following Dabholkar, Thorpe, and Rentz (1996) and in addition it was shown to nine bank managers three from each category of banks—public, private and foreign. Slight modifications were made in terms of words to enhance clarity of the questions. Thereafter, this was shown to three independent experts with extensive academic and consulting experience in Indian banking to ensure content and context validity of the questionnaires. Further to test the reliability of the scale, Cronbach's alpha coefficient of internal consistency was calculated using SPSS package. Nunnally (1987) has noted that alpha coefficients are a good estimate of reliability.

5. Methodology

5.1. Job satisfaction of bank employees

The questions on job satisfaction of employees were developed by taking questions from various studies that are discussed below.

Saiyadain has described the following statements to be direct, reliable and representative of the overall job satisfaction of employees.

1. I am satisfied with my job.
2. I love to come to my job everyday.
3. All things being equal, I will choose my present job again.
4. I would strongly recommend this job to my friends and relatives.

Malhotra and Mukherjee (2004) conducted a study on customer contact employees of banking call centres used two statements to measure job satisfaction of employees:

1. Overall I am satisfied with my job.
2. I am generally satisfied with the kind of work I do on the job.

Wilson and Frimpong (2004) suggested a model of job satisfaction—service performance and described job satisfaction as an amalgamation of context (pay, supervision, environment and co-workers) and content (work, customers, promotion) factors.

The satisfaction attained by employees on these context and content factors determines the overall job satisfaction of employees.

Discussions were held with five branch heads of different banks representing the PSU, private and foreign banks to gather inputs on what according to them affects job satisfaction of employees and its impact on customer service. A draft questionnaire was designed with the questions from all these sources quoted above and was shown to nine bank employees taking three from each category of banks and representing junior, middle and senior level of job. Finally, the resultant questionnaire was shown to five experts in the field of marketing who had earlier research experience in this area and the feedback so received was used to modify the questions accordingly. The final section had 12 questions to measure job satisfaction of employees which are as below: Questions 1–4 measure the overall job satisfaction, questions 5, 7 and 9 relate to the content factors of job satisfaction and questions 6, 8 and 10 relate to the context factors of job satisfaction, question 9 deals with the environment of the work premises of the bank and question 12 deals with the impact of job satisfaction on customer service (see Table 1).

1. Overall I feel I am satisfied with my job.
2. I love to come to my job everyday.
3. All things being equal, I will choose my present job again.
4. I would strongly recommend this job to my friends and relatives.
5. I am generally satisfied with the kind of work I do on this job.
6. I am satisfied with the variety of activities my job offers.
7. I am satisfied with the freedom I have to do what I want on my job.
8. I am satisfied with the opportunity my job provides me to interact with others.
9. I am satisfied with the environment of my bank.
10. I am satisfied with the pay I receive for my job.
11. I am satisfied with the security my job provides to me.
12. When I am satisfied I can serve the customers better.

Table 1. Results of confirmatory factor analysis for job satisfaction items

| Item | Ovr. Sats. | Content factors | Context factors | Service & environment |
|-------------|------------|-----------------|-----------------|-----------------------|
| 1 | 0.86 | | | |
| 2 | 0.85 | | | |
| 3 | 0.77 | | | |
| 4 | 0.71 | | | |
| 5 | | 0.81 | 0.78 | |
| 6 | | 0.73 | | |
| 7 | | | | |
| 8 | | 0.74 | 0.65 | |
| 9 | | | 0.82 | 0.61 |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | 0.51 |
| Reliability | 0.690 | 0.71 | 0.78 | 0.84 |

Notes: GFI = 0.87, AGFI = 0.92, RMSR = 0.06, CFI = 0.95, TLI = 0.91, NFI = 0.89.

Table 2. Banks that participated in the survey

| S. No. | Bank | Customers | Employees | Rank in India's best bank survey |
|--------|--------------------------|-----------|-----------|----------------------------------------|
| 1 | State Bank of India | 16 | 16 | 29 |
| 2 | UCO Bank | 21 | 21 | 43 |
| 3 | Dena Bank | 9 | 9 | 48 |
| 4 | Corporation Bank | 13 | 13 | 4 |
| 5 | Canara Bank | 15 | 15 | 18 |
| 6 | Indian Bank | 6 | 6 | |
| 7 | Punjab & Sindh Bank | 10 | 10 | 52 |
| 8 | Bank of Baroda | 15 | 15 | 30 |
| 9 | Syndicate Bank | 7 | 7 | 38 |
| 10 | HDFC Bank | 16 | 16 | 1 |
| 11 | UTI Bank | 15 | 15 | 9 |
| 12 | Centurion Bank of Punjab | 18 | 18 | Centurion Bank-22 Bank of Punjab-51 |
| 13 | ICICI Bank | 25 | 25 | 13 |
| 14 | ABN Amro Bank | 8 | 8 | 3 |
| 15 | HSBC | 6 | 6 | 2 |
| 16 | American Express Bank | 9 | 9 | 41 |
| 17 | Standard Chartered Bank | 11 | 11 | 8 |
| 18 | Citibank | 7 | 7 | 6 |
| 19 | ING Vysya Bank | 7 | 7 | 47 |

Note: Centurion bank of Punjab was formed after the merger of Bank of Punjab and Centurion Bank.

6. Sampling technique and method of data collection

A stratified random sampling technique was followed for attaining the desired sample size for data collection. Based on India's best bank survey which ranked banks 1–60, a representative sample was drawn from banks that represented all the three quartiles (top, middle and lowest) in the list. Another list consulted for drawing the sample was a classification of banks by CMIE (Center for monitoring of Indian economy) (see Table 2).

7. Statistical tools and techniques

The data collected from bank employees and customers were coded suitably and tabulated. The statistical analysis of data is based on the assumption that the distribution of the population (bank employees and customers) is normal. Analysis of data has been done using SPSS (statistical package for social sciences, version 12.0) and MS-office (Excel) software. Initially the data were fed into the MS-Excel software file and for analysis purposes imported to SPSS package for analysis and interpretation. The data gathered in the pilot study were also subjected to the same process.

8. Results

H1: There will be difference amongst the job satisfaction of employees amongst the three groups of banks.

The Hypothesis is accepted as the results from Table 3 indicate a significant difference between the overall job satisfaction of employees of the three categories of banks. The PSU bank employees are most satisfied, followed by the private and foreign banks, respectively. There is a significant difference among the job satisfaction scores of the PSU bank employees and the PSU and the foreign bank employees. However, this difference is not significant amongst the employees of private and foreign banks. Comparing the content factors of job satisfaction (i.e. satisfaction with work, customer interaction, promotion) there exists a significant difference amongst the PSU and foreign

**Table 3. Comparison of Job Satisfaction dimensions among the three categories of banks
Duncan's mean test**

| Dimension | PSU banks (N = 112) | Pvt. banks (N = 74) | Foreign banks (N = 48) | PSU vs. PVT banks | PSU vs. foreign banks | Pvt. vs. foreign banks | F-value |
|--------------------------------------------|---------------------------|---------------------------|------------------------------|-------------------------|-----------------------------|------------------------------|---------|
| | Mean | Mean | Mean | | | | |
| | SD | SD | SD | | | | |
| Overall job satisfaction | 5.30 | 4.15 | 3.95 | * | * | – | 28.15** |
| | 0.95 | 1.13 | 1.38 | | | | |
| Job satisfaction— Content factors | 5.06 | 4.76 | 4.36 | | * | – | 6.58** |
| | 0.97 | 1.16 | 1.05 | | | | |
| Job satisfaction— Context factors | 5.54 | 4.59 | 4.18 | * | * | * | 38.38 |
| | 0.78 | 0.89 | 1.12 | | | | |

*Significant at 0.05 level.

**Significant at 0.01 level.

banks only. However, in the case of Context factors of job satisfaction (i.e. satisfaction with pay, supervision and security), there is a marked difference between the three groups of banks. The satisfaction score again being the highest for PSU bank employees followed by private and foreign bank employees respectively.

H2: Context job satisfaction factors (i.e. satisfaction with pay, supervision, environment and security which does not directly correspond to the object of service performance quality) will be less predictive of overall employee satisfaction than content job satisfaction factors (i.e. satisfaction with work, customer interaction and promotion) (see Tables 4 and 5).

The results of regression analysis confirm that context factors of job satisfaction are more predictive of overall job satisfaction than the content factors. Upon further analysing them independently in the regression model, the work environment, variety of activities, opportunity to interact, marital status and pay are found to be descriptive of the overall job satisfaction. Education is a negative contributor to overall job satisfaction, indicating that as individuals progress on the education front the overall job satisfaction takes a downturn. Married employees are found to be more satisfied than the unmarried ones.

H3: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) customer perceptions of service quality.

Table 4. Key variable affecting job satisfaction of bank employees (N = 234)

| Independent variables | Dependant variable—Job satisfaction | | |
|-----------------------|-------------------------------------|-----------------|---------|
| | β | Simple <i>r</i> | t-value |
| Context factors | 0.63** | 0.69** | 7.7** |
| Content factors | 0.26** | 0.57** | 3.26** |
| Marital status | 0.29** | 0.23** | 2.54** |
| Education | –0.20** | 0.31** | –3.41** |

Notes: Constant = 1.603, Multiple *R* = 0.843, *R*² = 0.711.

*Significant at 0.05 level.

**Significant at 0.01 level.

Table 5. Key variable affecting job satisfaction of bank employees (N = 234)

| Independent variables | Dependant variable—job satisfaction | | |
|----------------------------------------|-------------------------------------|-----------------|---------|
| | β | Simple <i>r</i> | t-value |
| Environment—Context factor | 0.58** | 0.42** | 3.32** |
| Education | −0.19** | −0.31** | −3.29** |
| Opportunity to interact—Content factor | 0.39** | 0.36** | 2.96** |
| Marital status | 0.29** | 0.53** | 2.73** |
| Variety of activities—Context factor | 0.42** | 0.48** | 2.29** |
| Pay—context factor | 0.16** | 0.35** | 2.05** |

Notes: Constant = 1.603, Multiple $R = 0.843$, $R^2 = 0.711$.

*Significant at 0.05 level.

**Significant at 0.01 level.

H4: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) customer satisfaction.

H5: Overall job satisfaction of employees will have a positive impact on (is positively correlated with) delivering customer service.

Overall job satisfaction of employees will have a positive impact on (is positively correlated with) customer perceptions of service quality, customer satisfaction and the attitude of delivering customer service. This is indicated by the positive and significant correlations between the factors. This correlation appears to be the weakest in case of foreign banks as the value of Pearson coefficient is small. However, in case of public sector banks this has a high correlation suggesting that the satisfaction of employees contributes to a positive service attitude and to perceptions of service quality. Also job satisfaction positively forwards the employee in delivering service to the customer as it motivates his/her willingness to serve the customers better (see Tables 6–9).

In customer-contact businesses, the quality of service delivered cannot be separated from the “quality” of the service provider. Because service delivery occurs through human interaction, customer-contact personnel during the service encounter largely determine the level of service quality delivered. All kinds of behaviour and actions on the behalf of customer-contact employees during the service encounter cannot be directed and controlled by management. Hence, it can be argued that during the “moments of truth” of service encounters, it is the discretionary behaviour of committed customer-contact employees that will largely determine service quality perceptions and customer satisfaction on the external front. The job satisfaction of employees is critical to delivering service quality, as satisfied customers can only be created by satisfied employees.

Table 6. Relationship (correlation coefficient) of job satisfaction with service quality perceptions (N = 234)

| Dimension | Service quality perceptions | Overall job satisfaction | Customer service | Customer satisfaction |
|-----------------------------|-----------------------------|--------------------------|------------------|-----------------------|
| Service quality perceptions | 1 | | | |
| Overall job satisfaction | .561** | 1 | | |
| Customer service | 0.464** | 0.543** | 1 | |
| Customer satisfaction | 0.658** | 0.582** | 0.468* | 1 |

*Significant at 0.05 level.

**Significant at 0.01 level.

Table 7. Relationship (correlation coefficient) of Job satisfaction with service quality perceptions PSU Banks (N = 112)

| Dimension | Service quality perceptions | Overall job satisfaction | Customer service | Customer satisfaction |
|-----------------------------|-----------------------------|--------------------------|------------------|-----------------------|
| Service quality perceptions | 1 | | | |
| Overall job satisfaction | 0.582** | 1 | | |
| Customer service | 0.39** | 0.43** | 1 | |
| Customer satisfaction | 0.61** | 0.496** | 0.398* | 1 |

*Significant at 0.05 level.

**Significant at 0.01 level.

Table 8. Relationship (correlation coefficient) of job satisfaction with service quality perceptions private banks (N = 74)

| Dimension | Service quality perceptions | Overall job satisfaction | Customer service | Customer satisfaction |
|-----------------------------|-----------------------------|--------------------------|------------------|-----------------------|
| Service quality perceptions | 1 | | | |
| Overall job satisfaction | 0.43** | 1 | | |
| Customer service | 0.307** | 0.465** | 1 | |
| Customer satisfaction | 0.48** | 0.392** | 0.285* | 1 |

*Significant at 0.05 level.

**Significant at 0.01 level.

Table 9. Relationship (correlation coefficient) of job satisfaction with service quality perceptions foreign banks (N = 48)

| Dimension | Service quality perceptions | Overall job satisfaction | Customer service | Customer satisfaction |
|-----------------------------|-----------------------------|--------------------------|------------------|-----------------------|
| Service quality perceptions | 1 | | | |
| Overall job satisfaction | 0.296** | 1 | | |
| Customer service | 0.281** | 0.349** | 1 | |
| Customer satisfaction | 0.198* | 0.269** | 0.194* | 1 |

*Significant at 0.05 level.

**Significant at 0.01 level.

9. Conclusions

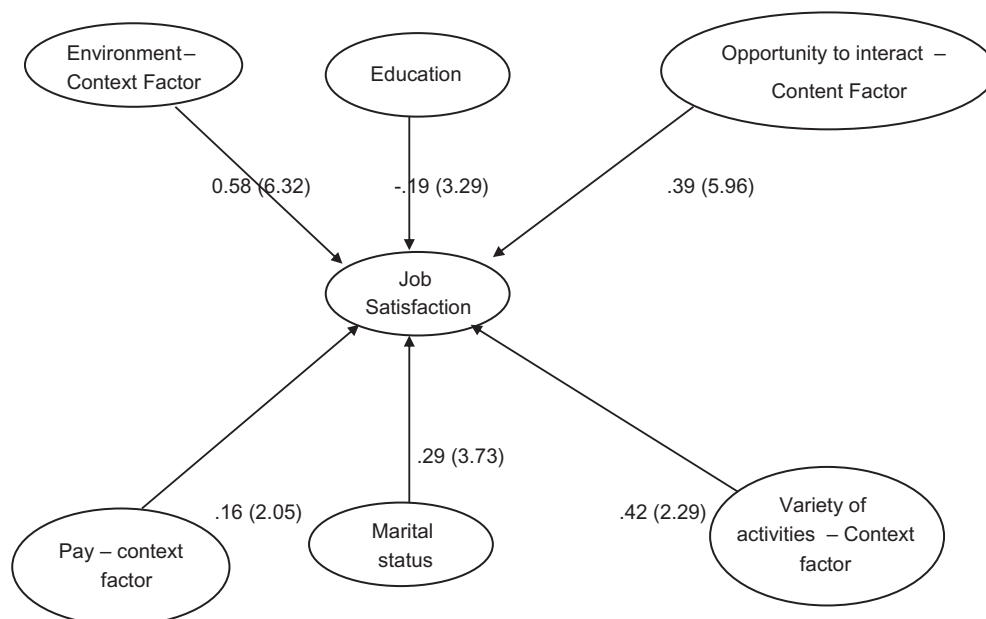
Employee job satisfaction is descriptive of the customer's likelihood of retaining their services with the bank. This is exhibited in the model above and reinstated with the positive and significant correlations that exist between the customer's perception, overall customer satisfaction and the customer's repurchase intention. This relationship holds true for all the three groups of banks, the correlation being weakest in case of foreign banks. When customers perceive employees to be satisfied they also tend to be satisfied with the service provided to them. This throws light upon that moments of truth, when the customer interacts with the service provider are likely to be more satisfying when the employee himself/ herself is satisfied.

Exploring further the construct of employee job satisfaction amongst the three groups of banks, an attempt that is unique to this research, one finds that as expected, there is difference between the three groups of banks in terms of the job satisfaction levels experienced by them. The overall job satisfaction is reported to be the highest amongst the PSU bank employees. The private and foreign bank employees are less satisfied as compared to their counterparts working in PSU banks. Context job satisfaction factors (i.e. satisfaction with pay, variety of activities, environment & security) are more descriptive of employee job satisfaction than the content factors (i.e. satisfaction with work, customer interaction, promotion). In the case of PSU bank employees, the opportunity to interact does not contribute to the overall job satisfaction in the regression analysis. One striking result is that marital status is a significant contributor to overall job satisfaction of employees with married employees being more satisfied than the unmarried ones. The aspect of salary (pay) has the least contribution to the overall job satisfaction. This is a positive result in the sense that employees will not be influenced by higher pay offers from competitors but also draw the attention of the bank to the significant factors like environment, variety of activities that are major contributors to job satisfaction. The bank needs to enhance these aspects to foster high levels of job satisfaction amongst its employees. The monotony that sets in with continued engagement in the same job activities can be done away by rotation of the employees on the various aspects of the bank tasks, a practice prevalent amongst most banks now (see Figure 3).

The overall job satisfaction of employees has a positive and significant correlation with the customer perceptions of service quality and customer satisfaction. This leads us into further stressing the importance of creating satisfied employees to enable our customers being satisfied and have favourable dispositions about the quality of our services. Banking being a service which has high switching costs, the banks should not let themselves fall into the illusion that once they have captured the customer, he/she will retain his/her services as it is perceived to be an expensive proposition for the customer to change the bank. Moreover, in a fast growing economy like India which is registering a growth rate of about 9%, the competition in each sector is bound to grow and the customer will have more choices to make, the switching costs may then not remain so important to retaining their services, if they are not happy with the quality of the services. The employees on the other hand who are an important aspect in the delivery of services as this is a factor that cannot be replicated unlike the technological and infrastructural factors which are easily replicated.

Figure 3. Model depicting factors contributing to employee job satisfaction.

Notes: β values on the arrow and t value in brackets.



The satisfaction of the service provider will be an important influencing factor in the service encounters that will determine whether customers experience satisfaction or dissatisfaction with the service.

9.1. Implication for managers

This study incorporates the role of employee job satisfaction in determining the perceptions of quality the customer has and the satisfaction experienced in the service encounter. This study leads us to an important aspect of internal marketing that would enable us to focus on employees as first customers and making it imperative for banks to cater to their satisfaction to ensure customer satisfaction.

The current study supports the cross-sectional results of education on job satisfaction that over qualification has a negative effect on job satisfaction. Some demographic variables, for example, age, marital status and occupational level have been found as important factors in determining level of job satisfaction. It has been observed that routine jobs are boring and they create a type of boredom and monotony. On the other hand, when jobs are challenging in nature, they create an environment of satisfaction.

10. Limitations and scope for future research

This research work has been carried out in India (which is a developing economy), and hence there is a possibility of cultural bias playing a role in the outcome of the study as quality management practices in developing economies may vary significantly from those of developed economies. For example, the study has established that the technological factors seem to be the differentiating factor among the three groups of banks as far as customer perceptions of service quality are concerned. This finding highlights the unstable nature of these facets in developing economies, which may not be true in developed economies. Therefore, there is a need to duplicate this study in developed economies as well.

Such trans-national studies across different nations and economies are indispensable for a clear understanding of the criticality of the various factors of customer-perceived service quality across different cultures. This is more true given the fact that the research issues with respect to service quality have been extensively researched in developed economies, while there is a scarcity of such research works (especially empirical) in developing economies. The present study therefore attempts to add value to the topic of bank service quality, especially in a developing economy, from the perspective of retail banking customers. A vast group of customers exists in corporate banking as well, whose needs are quite different from the retail banking customers. Further studies could examine this and compare them with the retail banking in terms of various constructs.

This study adopted an important construct of internal marketing dimension and analysed the impact of job satisfaction of employees on service quality perceptions, customer satisfaction and intention to remain loyal. Further studies on these lines could expand the literature and verify the claims of this study. Also, research could focus upon the construct of job satisfaction itself, as with changing times increase of digitalisation, technology revolution, and various factors that determine job satisfaction could also be questioned and explored. The scale development in terms of job satisfaction in a developing country like India offers considerable scope of research.

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