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Relationship Between Service Quality and Customer Satisfaction – A Study in Banking Industry Sri Lanka.

P. B. W. Jayawardhana

National University of Dublin, Ireland.
Affiliated with NSBM Green University, Sri Lanka.
BSc. in Management (Honours)
Sri Lanka

Abstract: The banking industry in Sri Lanka operates in an increasingly competitive environment where high-quality service is essential for customer satisfaction and loyalty. This study examines the relationship between service quality and customer satisfaction in the Sri Lankan banking sector, focusing on how service quality dimensions influence overall customer satisfaction. A quantitative research approach was adopted, and data were collected from bank customers using a structured questionnaire. The SERVQUAL model was used to measure service quality. Descriptive statistics, correlation analysis, and regression analysis were conducted to examine the relationship between the variables. The findings reveal a significant positive relationship between service quality and customer satisfaction. Among the service quality dimensions, reliability and responsiveness were identified as the most significant factors influencing customer satisfaction. The study recommends that banks improve service delivery, employee competence, and customer-oriented practices to enhance satisfaction and maintain competitive advantage. The study contributes to existing literature and provides practical insights for bank managers and policymakers in Sri Lanka.

Keywords: Banking Industry, Customer Satisfaction, Marketing, Service Quality, SERVQUAL, Sri Lanka

I. Introduction

Service quality and customer satisfaction have become two of the most important concepts in modern marketing and service management. In today's highly competitive business environment, organizations increasingly focus on delivering greater value to customers to achieve growth, profitability, and long-term sustainability. Technological development, globalization, and changing customer preferences have intensified competition across industries, particularly in the service sector. Consequently, organizations must continuously improve service quality to attract, satisfy, and retain customers. This is particularly important in-service industries, where direct customer interactions significantly influence organizational success. Among these industries, banking is one of the most prominent sectors in which service quality plays a vital role in customer satisfaction and long-term performance.

Service quality refers to customers' overall evaluation of the excellence and effectiveness of services provided by an organization. Unlike product quality, service quality is more difficult to evaluate because services are intangible and involve direct interactions between customers and service providers. The SERVQUAL model is one of the most widely used approaches for evaluating service quality. It identifies five key dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Tangibility relates to physical facilities, equipment, and employee appearance. Reliability refers to the ability to provide promised services accurately and dependably. Responsiveness reflects employees' willingness to assist customers and provide prompt service. Assurance concerns employees' competence, courtesy, credibility, and ability to create trust and confidence. Empathy refers to the individualized attention and care provided to customers. Together, these dimensions influence customers' perceptions of service quality and their overall service experience.

Customer satisfaction is another important concept in service management. It refers to the customer's level of fulfilment resulting from comparing perceived service performance with prior expectations. Satisfaction occurs when service performance meets or exceeds expectations, whereas dissatisfaction arises when performance falls below expectations. Customer satisfaction is widely considered an important determinant of customer retention, loyalty, repeat patronage, and positive word-of-mouth communication. In the modern business environment, customers have become more informed and demanding due to technological advancements and increased access to information. They expect efficient, reliable, convenient, and high-quality services that provide value for money. Organizations that effectively meet these expectations are more likely to establish long-term customer relationships and achieve better business performance.

Previous research has consistently identified a close relationship between service quality and customer satisfaction. High perceived service quality generally contributes to higher customer satisfaction, while poor service quality may lead to dissatisfaction, customer complaints, and switching behavior. Effective service delivery influences customers' expectations and experiences and therefore affects their overall satisfaction. Organizations that consistently deliver high-quality services are more likely to retain customers, encourage repeat patronage, and achieve sustainable profitability. Therefore, examining the relationship between service quality and customer satisfaction is important for organizations seeking to strengthen their competitive position and improve performance.

The Sri Lankan banking industry provides an important context for examining this relationship. The banking sector plays a significant role in the country's economic development by facilitating financial transactions, mobilizing savings, providing credit, and supporting investment activities. Over the years, the sector has undergone substantial transformation due to technological advancements, regulatory developments, and increasing competition. The introduction of automated teller machines (ATMs), internet banking, mobile banking, and other digital banking services has significantly changed how banking services are delivered. These developments have increased convenience and accessibility for customers while simultaneously raising their expectations regarding service quality.

Competition among banks in Sri Lanka has intensified as local and foreign banking institutions compete to attract and retain customers. At the same time, customers have become more knowledgeable and demanding regarding the quality, speed, reliability, and convenience of banking services. Since acquiring new customers is often more costly than retaining existing customers, banks increasingly emphasize customer retention and relationship management. Service quality therefore functions as an important strategic tool for achieving customer satisfaction and maintaining customer loyalty. Banks continue to invest in technological innovations, employee training and development, improved facilities, and customer-oriented service strategies to respond to changing customer expectations. Customers can also switch to competing banks when they perceive the quality of services to be inadequate. Consequently, understanding how different service quality dimensions influence customer satisfaction is highly important for banking institutions.

Against this background, this study aims to examine the relationship between service quality and customer satisfaction within the Sri Lankan banking sector. Specifically, the study investigates how the five SERVQUAL dimensions—tangibility, reliability, responsiveness, assurance, and empathy—influence customers' overall satisfaction with banking services. It also seeks to identify the service quality dimensions that have the greatest influence on customer satisfaction. Understanding these relationships can assist banks in developing effective strategies to improve service delivery, strengthen customer relationships, and maintain a competitive advantage.

Although numerous previous studies have examined the relationship between service quality and customer satisfaction across different industries and geographical contexts, limited research has focused specifically on this relationship within the selected context of the Sri Lankan banking sector. Furthermore, many previous studies have incorporated several additional variables, whereas this study focuses specifically on service quality and customer satisfaction. Therefore, the study seeks to address this contextual gap by providing focused evidence on how service quality influences customer satisfaction among banking customers in the selected location in Sri Lanka. The findings are expected to provide useful insights for bank managers, policymakers, and future researchers interested in improving service quality and customer experiences in the Sri Lankan banking industry.

1.1 Research Questions

1. Whether the customers are satisfied with the supporting and facilitating services by the bank or not?
2. Whether the customers are satisfied with the current pricing policy or not?
3. Whether the branches/service outlets are enough or not?
4. Whether the customers are satisfied with the employees or not?

1.2 Objectives

1. To identify whether the customers are satisfied with the services provided by the bank
2. To measure service quality of the services provided by the bank
3. To identify what factors, affect customer satisfaction
4. To provide recommendations on how to improve the customer satisfaction and retain the existing customers.

II. Literature review

2.1 Service Quality

Service quality is a widely studied concept in marketing and service management because of its significant influence on customer perceptions, satisfaction, loyalty, and organizational performance. Services are generally intangible activities, benefits, or satisfactions offered by one party to another without transferring ownership. Service quality can be describing services as intangible activities, benefits, or satisfactions offered for sale [1]. However, while [2] explains service as a process involving a series of activities that may occur through interactions between customers, employees, physical resources, goods, or service systems. Therefore, unlike physical products, services are characterized by intangibility, inseparability, heterogeneity, and the involvement of customers in the service delivery process.

The meaning of service may vary according to the context in which it is applied. service as an intangible act or performance offered by one party to another that does not result in ownership [3]. Service as an economic activity that creates value and provides benefits to customers at specific times and places by producing a desired change for the recipient. These definitions emphasize that services are primarily concerned with creating value and satisfying customer needs through an experience rather than through ownership of a physical product [3].

Service can be categorized into high-touch and high-tech services. High-touch services depend substantially on employees and interpersonal interactions, whereas high-tech services rely mainly on automated systems, information technology, and physical resources. The banking industry incorporates both forms of service. Internet banking, mobile banking, ATMs, and other digital platforms represent high-tech services, while employee assistance, customer guidance, and personal banking services represent high-touch services. Therefore, banks must effectively integrate technology and human interaction to provide a satisfactory customer experience [2].

Service process matrix, cited in [4] classifies services according to labor intensity and the degree of customer interaction and customization. The model identifies four service categories: service factory, mass service, service shop, and professional service. This classification demonstrates that service organizations differ in the resources and processes required to deliver their services. In banking, both technological resources and employee involvement are important components of service delivery.

2.1.2 Concept of Quality

Quality is commonly associated with the ability of a product or service to meet customer requirements and expectations. Historically, quality management was primarily associated with manufacturing and physical products. However, with the growth of the service sector, quality has become an important strategic consideration for service organizations. Quality has evolved from being primarily a defensive mechanism to becoming a competitive tool for developing markets and increasing market share [5].

In service organizations, service quality reflects both objective and subjective aspects of service performance. Measuring service quality enables organizations to determine whether their services meet customer expectations and identify areas requiring improvement. Quality can be defined as the extent to which the characteristics of a product or service satisfy external requirements. Similarly, service quality is particularly important in banking because it represents a core element of strategic competition [6]. Service quality has been conceptualized from different perspectives. According to [7], view it as an attitude representing a long-term overall evaluation of service performance, while [1] describes it as the difference between customer expectations before a service encounter and their perceptions of the service received. Similarly define service quality in terms of customers' overall impression of the superiority or inferiority of an organization and its services. [8] explain the service quality as the extent to which service performance meets or exceeds customer expectations. Further, service quality reflects how effectively the delivered service level matches customer expectations and consistently conforms to those expectations.

Although there is no universal agreement regarding the definition and measurement of service quality the concept is generally associated with customers' perceptions of service performance in relation to their expectations. Several approaches have been developed to measure service quality, including the expectancy-disconfirmation approach, performance-only approach, and technical-functional approach. Among these, the SERVQUAL model developed by Parasuraman, Zeithaml, and Berry is one of the most widely applied models across service industries [9].

2.2 SERVQUAL Model

Initially there are available ten determinants of service quality such as access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding, and tangibles. Subsequent research consolidated these determinants into five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. The SERVQUAL model evaluates service quality by comparing customers' expectations with their perceptions of the service received [10].

Tangibility refers to the physical evidence associated with service delivery, including facilities, equipment, employee appearance, communication materials, and other visible aspects of the organization. Tangibles are particularly important because they influence customers' first impressions of a service organization.

Reliability refers to an organization's ability to perform promised services accurately, consistently, and dependably. It includes providing services within the promised time and fulfilling agreements made with customers. Reliability is especially important in banking because customers expect transactions, payments, account information, and other financial services to be processed accurately and securely. Reliability as one of the most influential service quality dimensions affecting customer satisfaction in retail banking.

Responsiveness concerns employees' willingness and ability to assist customers and provide prompt service. Responsiveness in terms of speed and timeliness of service delivery. Long waiting times and delays can create negative perceptions of service quality, whereas prompt assistance and effective service recovery can enhance customers' perceptions. Therefore, responsiveness is particularly important in banking, where customers expect quick and efficient transactions and assistance.

Assurance relates to employees' knowledge, competence, courtesy, and ability to create trust and confidence. It includes effective communication, professionalism, respect, and employees' ability to demonstrate that customers' interests are being considered. Assurance is particularly significant in banking because customers entrust financial information and resources to banking institutions. Employees must therefore demonstrate competence and professionalism to establish customer confidence.

Empathy refers to the provision of caring and individualized attention to customers. Empathy with approachability, sensitivity, and efforts to understand customer needs. Personalized attention can strengthen relationships between customers and service providers and encourage customers to continue using the organization's services. In banking, understanding individual customer requirements and providing suitable assistance can contribute significantly to positive service experiences.

Previous research has demonstrated the importance of service quality in banking, found that customer satisfaction played a mediating role in the relationship between service quality and customer loyalty. This highlights the importance of service quality as a key driver of customer satisfaction and loyalty and demonstrates its strategic relevance to banking organizations.

2.3 Customer Satisfaction

Customer satisfaction is another fundamental concept in marketing and service management. It represents the extent to which a customer's expectations and needs are fulfilled through a product or service experience. [2] identify service quality and customer satisfaction as critical factors influencing business success. [11] argue that sustainable competitive advantage can be achieved by delivering high-quality services that result in satisfied customers.

Customer satisfaction in relation to the value customers perceive from a transaction or relationship compared with their expectations. Similarly, [12] define satisfaction as a person's feeling of pleasure or disappointment resulting from comparing perceived performance with expectations. Therefore, customer satisfaction depends largely on the relationship between expected and experienced service performance. Customer satisfaction can be understood as either a process or an outcome. As an outcome, it represents the customer's post-consumption evaluation of a product or service experience. Satisfaction can be described as a consumer fulfilment response resulting from the extent to which a product or service provides a pleasurable level of fulfilment. further explain that customer satisfaction may involve either cognitive or affective responses to a particular consumption experience.

The literature also distinguishes between transaction-specific and cumulative satisfaction. Transaction-specific satisfaction refers to a customer's evaluation of a particular service encounter whereas cumulative satisfaction represents the customer's overall evaluation of consumption experiences over time Both perspectives are relevant to banking because customers evaluate individual transactions while also developing an overall perception of the bank based on repeated experiences [13]. Customer satisfaction is particularly important in the banking sector because satisfied customers are more likely to remain loyal, engage in repeat transactions, and recommend services to others. Satisfied customers can therefore contribute to positive word-of-mouth and long-term profitability. Customer satisfaction is essential for organizations seeking to retain customers, while [14] highlight its importance in developing long-term customer relationships and competitive advantage.

The importance of customer satisfaction has increased with the development of information technology and greater customer access to information. Modern banking customers are increasingly knowledgeable and demanding and can easily compare services offered by competing institutions. When customers perceive banking services as unreliable, slow, inconvenient, or inadequate, they can readily switch to alternative banks. Therefore, banks must continuously monitor customer expectations and perceptions and improve their service delivery accordingly.

2.4 Relationship Between Service Quality and Customer Satisfaction

The literature generally indicates a positive relationship between service quality and customer satisfaction. High-quality service that meets or exceeds customer expectations is likely to increase satisfaction, whereas poor service quality can result in dissatisfaction and customer switching. High service quality contributes to increased customer satisfaction and loyalty. The importance of customer satisfaction in linking service quality with customer loyalty [3]. Specially for the banking institutions, maintaining high service quality is therefore essential for developing satisfied and loyal customers. The five SERVQUAL dimensions provide a useful framework for assessing customers' perceptions of banking services. Reliability and responsiveness are particularly relevant because customers expect financial transactions to be accurate, secure, and timely. Assurance and empathy are also important in establishing trust and personalized relationships, while tangibles contribute to customers' overall perceptions of the bank's professionalism.

Overall, the literature establishes that service quality is a critical determinant of customer satisfaction and an important source of competitive advantage in the banking industry. However, customer expectations and perceptions may differ according to geographical, cultural, technological, and institutional contexts. Therefore, examining the relationship between SERVQUAL dimensions and customer satisfaction within the Sri Lankan banking context is important. This study focuses specifically on service quality and customer satisfaction, providing a contextual examination of these two variables within the selected banking environment in Sri Lanka.

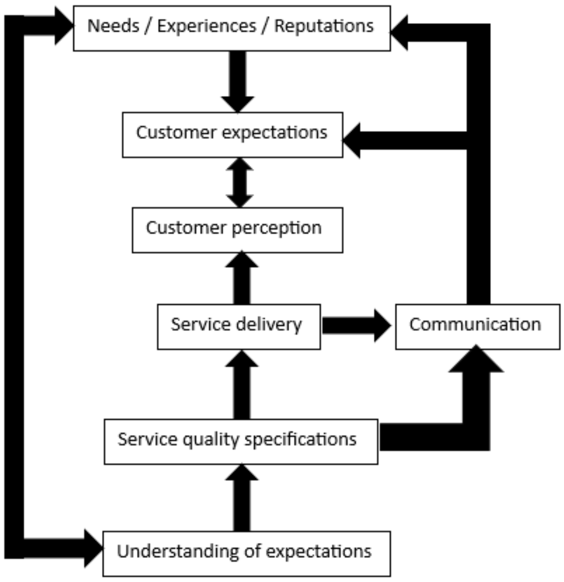

Fig 1: fundamental quality process [13]

III. Methodology

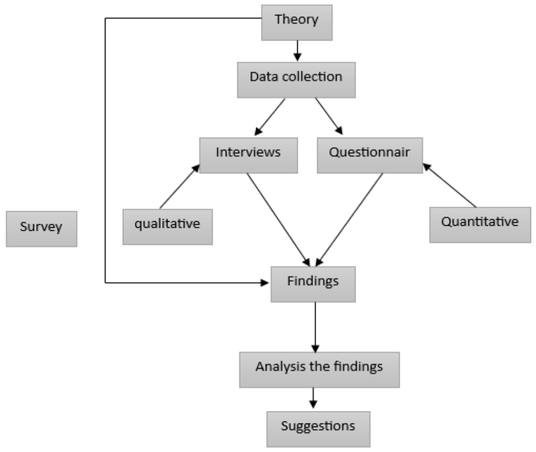

Fig 2: research design compiled by author

This study adopted a quantitative research approach to examine the relationship between service quality and customer satisfaction in the banking industry, with special reference to People's Bank branches in the Matara District of Sri Lanka. A quantitative approach was considered appropriate because the study sought to measure customers' perceptions of service quality and customer satisfaction using numerical data and statistical analysis. Quantitative research enables researchers to examine relationships between variables objectively and systematically through the collection of measurable data.

The study focused on customer satisfaction as the dependent variable and service quality as the independent variable. Service quality was measured using five dimensions adapted from the SERVQUAL model. The objective was to determine the extent to which these dimensions influence customer satisfaction among People's Bank customers. In addition to primary data collected from customers, secondary information obtained from institutional documents and published sources was used to support the research and provide contextual understanding of the banking industry.

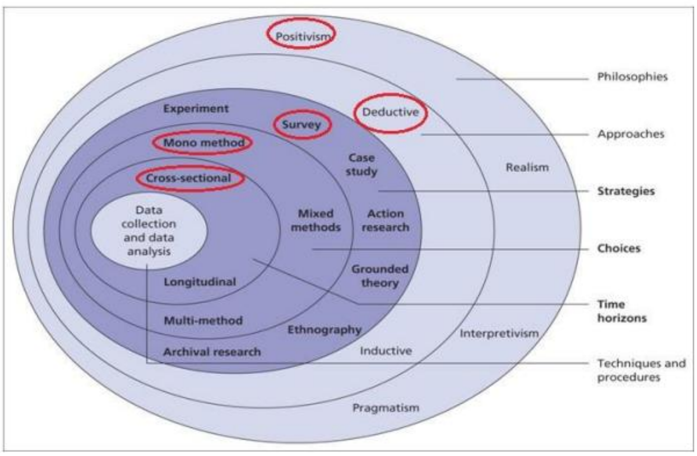

Fig 3: research onion [15]

3.1 Population and Sample

The population of this study consisted of all customers of People's Bank branches located in the Matara District. As it was not practical to collect information from the entire population due to time and resource limitations, a sample was selected to represent the target population. Three People's Bank branches with the highest customer base within the district were selected for the study. From these branches, a sample of 100 customers was chosen as respondents. The sample size was considered adequate to obtain meaningful information regarding customer perceptions of service quality and satisfaction within the selected context. Convenience sampling was employed as the sampling technique for the study. Convenience sampling is a non-probability sampling method in which respondents are selected based on their accessibility and willingness to participate. This method was considered suitable because it allowed the researcher to collect data efficiently from customers who were available at the selected bank branches during the data collection period. Although convenience sampling may limit the generalizability of findings, it is commonly used in customer perception studies where access to respondents is constrained.

3.2 Data Collection Methods

The study utilized both primary and secondary sources of data. The use of multiple data sources enhanced the comprehensiveness and reliability of the research findings. Primary data were collected directly from customers of the selected People's Bank branches through a structured questionnaire. The questionnaire was personally administered by the researcher to ensure a high response rate and to provide clarification where necessary. Since the majority of respondents were more comfortable communicating in Sinhala, the questionnaire was translated into Sinhala to facilitate better understanding and accurate responses.

The questionnaire consisted of 32 questions designed to measure customers' perceptions of service quality and customer satisfaction. More than 30 questions were measured using a five-point Likert scale ranging from strong disagreement to strong agreement. The Likert-scale format enabled respondents to express their level of agreement with statements relating to the dimensions of service quality and customer satisfaction in a standardized manner. In addition to the questionnaire survey, semi-structured interviews were conducted with selected respondents to obtain supplementary information and gain a deeper understanding of customer experiences and perceptions. Although the primary focus of the study was quantitative, the interviews provided additional insights that supported the interpretation of the survey findings.

Secondary data were collected from a variety of published and institutional sources. These included government circulars, People's Bank regulations, annual reports, prospectuses issued by People's Bank and other banking institutions, academic journals, research articles, books, and information available on relevant websites. Secondary data were used to establish the theoretical foundation of the study, support the literature review, and provide background information regarding the Sri Lankan banking sector.

3.3 Research Instrument and Variables

The primary research instrument used in this study was a structured questionnaire developed based on the SERVQUAL model. The questionnaire was adapted to suit the banking context and to reflect the objectives of the study. The independent variables of the study were the five service quality dimensions. Reliability refers to the ability of the bank to perform services accurately and dependably. Responsiveness reflects the willingness of employees to provide prompt service and assistance. Tangibles relate to the physical facilities, equipment, and appearance of personnel. Awareness refers to customers' understanding and knowledge of banking services and facilities. Assurance represents the knowledge, competence, and courtesy of employees as well as their ability to inspire trust and confidence. Customer satisfaction was considered the dependent variable. The questionnaire included statements designed to measure customers' overall satisfaction with the services provided by People's Bank. The use of Likert-scale measurements enabled customer perceptions to be quantified and analyzed statistically.

3.4 Data Analysis

The collected data were coded, entered, and analyzed using Statistical Package for Social Sciences (SPSS). The software facilitated efficient processing and analysis of the data. Statistical analyses were conducted with the assistance of an industry expert to ensure accuracy and reliability in data interpretation. Descriptive statistics were used to summarize respondent characteristics and provide an overview of customer perceptions. In addition, inferential statistical techniques were employed to examine the relationship between service quality dimensions and customer satisfaction. The analysis enabled the researcher to determine the significance and strength of relationships between the independent and dependent variables and to identify the service quality dimensions that most strongly influenced customer satisfaction.

3.5 Conceptual framework and hypothesis

- $+H_1$= There is a positive relationship between Tangibility and Customer Satisfaction.
- $+H_2$= There is a positive relationship between Reliability and Customer Satisfaction.
- $+H_3$= There is a positive relationship between Responsiveness and Customer Satisfaction.
- $+H_4$= There is a positive relationship between Assurance and Customer Satisfaction.
- $+H_5$= There is a positive relationship between Empathy and Customer Satisfaction

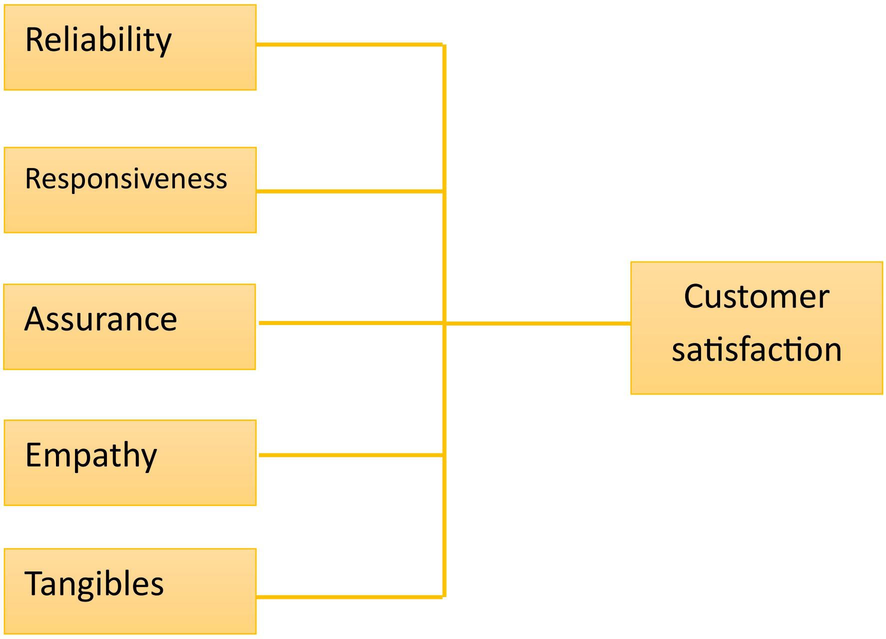

Fig 4: conceptual framework, compiled by author

This framework provides the basis for developing the research hypotheses and examining the extent to which each service quality dimension influences customer satisfaction in the Sri Lankan banking industry. The conceptual framework of this study illustrates the relationship between service quality dimensions and customer satisfaction in the Sri Lankan banking industry. The framework is developed based on the assumption that the quality of services provided by banks influences customers' overall satisfaction. In this study, customer satisfaction is considered the dependent variable, while reliability, responsiveness, tangibles, awareness, and assurance are considered independent variables.

IV. Results and findings

This study was conducted to examine the relationship between service quality and customer satisfaction in the banking industry, with special reference to People's Bank branches in the Matara District of Sri Lanka. The study employed the SERVQUAL model to assess five dimensions of service quality, namely tangibility, reliability, responsiveness, assurance, and empathy, and to determine their influence on customer satisfaction. Data were collected from 100 customers and analyzed using SPSS. The major findings of the study are summarized below.

4.1 Demographic Profile of Respondents

The analysis revealed that the majority of respondents belonged to the middle-aged category. Approximately 40% of respondents were between 35 and 50 years of age, while 35% were between 20 and 35 years. Customers above 50 years accounted for 18% of the sample, and only 7% were below 20 years of age. These findings indicate that People's Bank primarily serves economically active and mature customers who frequently utilize banking services. In terms of income, most respondents belonged to middle-income categories. Around 40% earned between LKR 25,000 and LKR 40,000 per month, while 33% earned between LKR 40,000 and LKR 55,000. Only 11% belonged to the higher-income category. These findings suggest that People's Bank serves a broad customer base, particularly middle-income earners who depend on banking services for their financial activities.

4.2 Service Quality Perceptions

The descriptive analysis showed that customers generally perceived the service quality provided by People's Bank at a moderate level. Among the five dimensions of service quality, tangibility received the highest mean score, while responsiveness received the lowest mean score.

Tangibility - Tangibility recorded the highest overall mean value of 3.25, indicating that customers were relatively satisfied with the physical aspects of the bank. Customers perceived the bank's equipment as modern and attractive, and physical facilities were viewed positively. The item "modern looking equipment" received the highest score within this dimension, with a mean value of 3.58. However, the appearance of employees received a comparatively lower rating. Overall, the findings suggest that physical facilities and technological resources contribute positively to customer perceptions of service quality.

Reliability- Reliability achieved an overall mean score of 2.82, indicating a moderate level of customer satisfaction. Customers believed that the bank generally performs its services accurately and maintains records without major errors. However, certain aspects such as completing tasks within agreed timeframes and performing services correctly on the first attempt received lower ratings. These findings indicate that improvements in service accuracy and consistency could further enhance customer satisfaction.

Responsiveness - Responsiveness recorded the lowest mean score among all dimensions, with a value of 2.68. Customers expressed concerns regarding the promptness of service delivery and the willingness of employees to respond quickly to customer requests. The item relating to employees being too busy to respond received one of the lowest ratings. These findings indicate that customers perceive delays in service delivery and inadequate responsiveness from staff members. Therefore, responsiveness emerged as one of the major areas requiring improvement within the bank.

Assurance - The assurance dimension recorded a mean score of 3.03, making it the second-highest-rated service quality dimension. Customers generally felt safe when conducting banking transactions, and they believed employees possessed adequate knowledge to answer questions. The highest-rated item within this dimension was "feeling safe in transaction procedures," which recorded a mean value of 3.59. These findings suggest that customers have confidence in the bank's security and trustworthiness.

Empathy - Empathy achieved an overall mean score of 2.73. Customers moderately agreed that the bank provided individualized attention and considered customer interests. However, ratings relating to understanding specific customer requirements and providing personalized services remained relatively low. This finding suggests that the bank should focus more on customer-centered approaches and personalized service delivery.

4.3 Customer Satisfaction Findings

The findings revealed that customer satisfaction was generally moderate. Most dimensions relating to customer support, timeliness, completeness of service, and professionalism received moderate ratings. However, responsiveness-related aspects of customer satisfaction recorded low mean values ranging from 2.42 to 2.47, indicating dissatisfaction with the speed of service and staff responsiveness. This finding further confirms the weakness identified under the responsiveness dimension of service quality.

4.4 Relationship Between Service Quality and Customer Satisfaction

One of the major objectives of the study was to examine the relationship between service quality and customer satisfaction. The correlation and regression analyses confirmed that service quality has a positive and significant relationship with customer satisfaction. Customers who perceived higher service quality levels also reported higher levels of satisfaction. The findings support the view that improving service quality can directly enhance customer satisfaction in the banking sector. The study further confirmed that all five dimensions of service quality positively contribute to customer satisfaction. However, the influence of each dimension varies in magnitude. The results suggest that customer satisfaction is not determined by a single factor but rather by a combination of reliability, responsiveness, tangibility, assurance, and empathy.

4.5 Most Influential Service Quality Dimensions

The regression analysis revealed that empathy and responsiveness were the strongest statistically significant predictors of customer satisfaction. Empathy recorded the highest standardized beta coefficient ($\beta = 0.401, p < 0.001$), indicating that personalized attention and understanding customer needs have the greatest impact on customer satisfaction. Responsiveness also showed a significant positive effect ($\beta = 0.275, p = 0.006$), highlighting the importance of prompt service delivery and employee willingness to assist customers. The study also identified reliability as an important factor influencing customer satisfaction and emphasized that customers value dependable and accurate banking services.

Furthermore, tangibility and assurance contributed positively to customer perceptions, although their statistical impact was comparatively lower.

4.6 Additional Findings

The study identified several additional factors affecting customer satisfaction. Customers indicated that equal treatment, regardless of social status, income level, or occupation, is important in shaping their satisfaction with banking services. Respondents were particularly sensitive to how they were treated by employees and expected fairness and respect in service delivery. The findings also revealed that customers highly value employee politeness, positive attitudes, effective communication, and efficient service processes. Service failures such as operational errors, faulty systems, and inadequate employee knowledge were found to negatively affect customer satisfaction.

4.7 Overall Conclusion of Findings

Overall, the study concludes that service quality plays a critical role in determining customer satisfaction in the Sri Lankan banking sector. Although customers generally perceive the service quality of People's Bank as satisfactory, several areas require improvement, particularly responsiveness, personalized customer attention, and service efficiency. The results demonstrate that improving empathy, responsiveness, and reliability can significantly enhance customer satisfaction and strengthen customer retention. Therefore, management should focus on employee training, customer relationship management, service process improvements, and customer-oriented practices to maintain a competitive advantage and improve overall customer satisfaction.

				Change statistics				
R	R Square	Adjusted R Square	Std. error of the estimate	R Square change	F Change	df1	df2	Sig. F Change
0.819 (a)	0.671	0.654	0.33589	0.671	38.427	5	94	0

Table depicts model summary of the study variables. R value has been recorded as 0.819. R refers to the correlation between observed and predicted values of the independent variables. The R value range is -1 to +1. And the sign of R will show the direction of relationship between variables positive or negative. As far as R value of the study variable is concerned, it has been recorded as 0.810. Therefore, it reveals that there is a positive relationship among the variables and the relationship is strong as well.

The R square value describes the proportion of variation in the independent variable which is depended by the regression model. The value range of R square is 0-1. The small value of R square will indicate that the model does not fit the data well. According to the research findings, R square is recorded as 0.671 and it addresses that there is a fit. In simple terms 65.4% of the variation in customer satisfaction is caused by service quality aspects; tangibility, reliability, responsiveness, assurance and empathy.

V. Conclusion

The nature of the banking services encourages customers to demand the highest possible quality. In order to achieve this, it is essential to be very close to customers in order to understand their needs and wants as well as their expectations. These will help banks to forecast future needs to developments and perception of market regarding the bank. The main objective of the study was to identify whether the customers are satisfied with the services provided by the bank and examine the effect of service quality on customer satisfaction.

All aspects of service quality; tangibility, reliability, responsiveness, assurance and empathy, records medium moderate mean values (2.51-3.5). A large portion of variation of customer satisfaction (65.4%) can be explained by the service quality perception of customers. Therefore, it can be concluded that enhancement in service quality will definitely result in an increased customer satisfaction. Further, limitations can be mentioned as this study used only questionnaire method to collect data. Further, this research limited to one specific geographical area and not consider about the cultural deficiencies. Thus, some respondents are not willing to participate questionnaire.

VI. Recommendations

The bank has to take measures to improve service quality aspects of reliability, responsiveness and empathy. Especially responsiveness of employees should be improved since customers are seemed to have a low satisfaction in that aspect. Providing training to the staff will ensure most of the above aspects are improved and employees need to be made aware of the importance of customers. Employees have to be convinced that their job security leans upon how customers perceive the services they provide. And on the other hand, employees need to be motivated to work hard to achieve customer satisfaction since they represent the bank as a whole to customers. Advertising based on the competitive advantage through being owned by state must be stressed. The accuracy of the research project depends on the reliability of the information given by the respondents. The standard deviation close to 1 is a high amount of variation among the responses provided which means that customers have varying perceptions about each aspect that has been investigated.

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