# APPLICATION OF SERVQUAL MODEL TOWARD SERVICE QUALITY PROVIDED BY BANKS IN MALAYSIA: A LITERATURE REVIEW

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***ABSTRACT***

As an era of globalization, the banking sector's operating environment has become more competitive. As banks compete in the market with generally standardized products, service quality becomes a primary strategic element. The bank cannot avoid the purpose of customer service to gain a competitive advantage. The services provided to customers will reflect the image of the bank. According to research, a higher percentile of customers retains certain bank services due to the good services. In other words, improving the quality of the services provided is one factor that enhances market share, and service quality is a necessity for banks, as is the bank's achievement. As a result, to build a successful business, management should prioritize their service quality. One of the most popular assessment tools of service quality is SERVQUAL, pioneered initially by (Berry, Parasuraman, & Zeithaml, 1988), with five dimensions was used to evaluate the impact of service quality provided by the banks on customer satisfaction in Malaysia. The service qualities highlighted are reliability, assurance, responsiveness, empathy, and tangible. Therefore, the purpose of this paper anticipates providing a literature review on the application of the SERVQUAL model toward service quality provided by banks in Malaysia.

***Keywords****: Banks, Islamic banks, retail banks, service quality, SERVQUAL*

## INTRODUCTION

Quality is more difficult to explain in services than in physical products because these serve as objective standards. In banking, setting objective standards is significantly more difficult, as service encounters and customer needs vary. As a result, when considering service quality, the most prevalent view is that it is subjective, meaning that the customers' perception of quality determines it. Thus, service quality refers to a service provider's ability to satisfy customers effectively and efficiently, thereby enabling them to improve their company's performance. However, the term service quality is more difficult to define and quantify. Therefore, numerous authors attempted to define it and provided definitions from a variety of perspectives. Some of them are Philip Kotler and Gary Armstrong, two marketing gurus, who defined service quality

as a service firm's ability to retain a customer, as customer retention is the best indicator of service quality. Whereas, Parasuraman, Zeithaml, & Berry (1985) define service quality as the gap between customers' expectation of service and their perception of the service experience.

Additionally, they defined perceived service quality as a global judgment or attitude about the superiority of the service (Zeithaml, Berry, & Parasuraman, 1988). While, Asubonteng, Mccleary, and Swan (1996) define it as the gap between customers' pre-service expectations and their perceptions of the service received. Thus, service quality can be defined as a service provider's ability to satisfy customers effectively and efficiently, thereby enabling the provider to improve the performance of their business. That is, they believe the best measure of service quality is customer retention there by contribute to the loyalty of the customer. There is limited scope for quantitative methods of service quality measurement, especially in the banking sector. However, Parasuraman, Zeithaml, & Berry (1985) made a significant aspect in this regard. Subsequently, they developed a service quality model recognized as SERVQUAL in 1988, which is broadly used to evaluate the quality of service in a wide range of business sectors, including banks. They were insistent in their endorsement of SERVQUAL, arguing that quality was determined by a comparison of expectations and actual services. They proposed making such comparisons across the five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. All this is also known as the dimension of service quality.

Tangibles are physical facilities such as the branch interior, staff appearance, equipment, communication materials, and technology. All of these factors provide sufficient information to customers about the firm's service quality. Additionally, this dimension benefits the firm's image. The second dimension is reliability. The term reliability refers to the capacity to perform the promised service reliably and accurately. In a broad sense, reliability refers to a service provider's commitment to performing on its delivery, service provision, problem resolution, and pricing promises. In banking services, this includes regularity, a positive attitude towards complaints, keeping customers informed, consistency, procedures, and et cetera. Another dimension of service quality is responsiveness. This factor considers how the bank's staff responds to customers. Significant issues include their ability to be helpful, prompt, and capable of resolving problems include staffs' punctuality, existence, professionalism, and so forth. Criteria for responsiveness can be improved by continuously monitoring the service delivery process and employees' attitudes toward customer requests. The fourth dimension is assurance. This factor considers the bank's and its employees' competence, courtesy, credibility, and trustworthiness. Additionally, it considers the consumer's sense of security. This dimension is crucial in banking because customers lack confidence in their ability to evaluate outcomes. Empathy is the final dimension of service quality. It is defined as the attentive, personalized service provided to customers by their banks or service providers. This dimension significantly affects factors such as accessibility, effective communication, customer understanding, approachability, and friendliness. In this case, service providers should be aware of the customers' individual needs, wants, and preferences.

In Malaysia, the issue of overall SERVQUAL in the banking industry is critical for various reasons. First, there is a shortage of literature on SERVQUAL management in the Malaysian banking industry. Second, with the exponential growth of foreign banks, local banks are aware of the competition, as there is a segment of the current market that would switch to foreign banking services if the quality was comparable to that offered by local banks (Hamzah, Lee, & Moghavvemi, 2017). As a result, Malaysia's banking sector has improved steadily over time due to high competition from the growth of foreign banks in the country. The banking sector is under pressure to maintain its respective competitiveness. Therefore, empirical research is required to adequately address the research question: What SERVQUAL dimensions contribute to the quality of service provided by Malaysian banks? This paper seeks

to fill the gap by reviewing previous related studies to better understand the SERVQUAL model's application to the service quality provided by banks in Malaysia. A systematic approach was used to review the published literature on service quality over the last ten years. The remainder of our paper is organized as follows: we begin by detailing our method. Following that, we discuss the service quality findings by analyzing the SERVQUAL dimensions for assessing service quality. Finally, we make recommendations for future studies.

## METHODOLOGY

A review of the literature was carried out by the research team to search, collect, and analyze relevant published articles on SERVQUAL. The authors began the review by describing the search strategy, divided into three stages: identification, screening (inclusion and exclusion criteria), and eligibility.

**Identification**

Identification is a process that involves searching for synonyms, related terms, and variations of the study's primary keywords, SERVQUAL, service quality, and banks. It aims to expand the available database options for searching for additional relevant articles for the review. The first phase involved determining keywords that would be used in the search process. Next, similar keywords related to service quality and banks were used based on previous research and a thesaurus. Finally, the authors enhanced existing keywords and created an entire search string (using phrase searching, wild card, truncation, Boolean operators, and field code functions) for the two major databases, Scopus and Web of Science (Table 1). Scopus and Web of Science were the two primary databases used in this review. Why did we choose these two databases? Scopus is one of the largest abstract and citation databases, covering nearly 36,377 titles from approximately 11,678 publishers, of which 34,346 are peer-reviewed journals in high-level subject areas such as life sciences, social sciences, physical sciences, and health sciences. Additionally, it is simple to navigate. Likewise, Web of Science is a website that offers subscription-based access to multiple databases containing comprehensive citation data for various academic disciplines, including science, social science, the arts, and the humanities. The search produced 2,970 articles after it was conducted using these two databases, Scopus and Web of Science.

**Table 1: The Search String**

| Databases | Keywords used |
|---|---|
| Scopus | TITLE-ABS-KEY (("servqual" OR "service quality" OR "servqual dimension*" OR "servqual model" OR "dimension of service quality" OR "perceived service quality") AND ("Islamic bank*" OR "bank*" OR "retail bank*" OR "commercial bank*" OR "banking industry")) |
| Web of Science | TS = (("servqual" OR "service quality" OR "servqual dimension*" OR "servqual model" OR "dimension of service quality" OR "perceived service quality") AND ("Islamic bank*" OR "bank*" OR "retail bank*" OR "commercial bank*" OR "banking industry")) |

**Screening**

This study screened all 2,973 selected articles using automated criteria selection based on the database's sorting function. The period 2010 to 2020 was chosen as one of the inclusion criteria. Additionally, to ensure the review's quality, only articles with empirical data that have been published in a journal are included. Furthermore, business management and social science were chosen as area subjects or research areas. Additionally, only articles published in English are included in the review to avoid reader misunderstandings, and only articles published in

Malaysia are chosen for the study's objective (Table 2). This process had excluded 2,935 articles as they did not fit the inclusion. The remaining 38 articles were used for the third process - eligibility.

**Table 2: The inclusion and exclusion criteria.**

| Criteria | Inclusion | Exclusion |
|---|---|---|
| Timeline | 2010 – 2020 | <2010 , 2021 |
| Document type | Article journal (empirical data) | Article review, chapters in the book, book series, book, conference proceeding |
| Language | English | Non-English |
| Country | Malaysia | Other countries |
| Subject area | Business management, science social | Other subject areas |

**Eligibility**

Eligibility refers to how the authors manually screened the retrieved articles to ensure that all articles that passed the screening process met the criteria. This process was accomplished by reading the articles' titles, abstracts, and conclusions/discussions. This process excluded 25 articles due to the narrow focus on the SERVQUAL model application. Thus, there were a total of 11 articles chosen.

## RESULTS

The review was able to obtain 11 articles. This paper's subsequent analysis focused on three themes: customer satisfaction, loyalty, and service quality gap.

**Customer Satisfaction**

Customer satisfaction is one of the most critical aspects of any business.outcomes in marketing activity. Customer satisfaction is viewed as vital to success in the highly competitive banking sector. According to Kumar, Kee, and Manshor (2009), high-quality service results in increased customer satisfaction and bank customers' loyalty. Naeem, Akram, and Saif (2011) revealed that service quality was a strong predictor of customer satisfaction in a foreign bank. Following a thorough review of the SERVQUAL literature, we identified studies demonstrating a significant relationship between the SERVQUAL dimension and customer satisfaction. The overall SERVQUAL score positively and significantly customer satisfaction. This indicates that the overall SERVQUAL plays a significant role in establishing customer trust in banks and that customers will be satisfied if the overall SERVQUAL is perceived to be high (Hamzah et al., 2017). Another study discovered that customers are more satisfied with the professionalism of conventional bank employees in terms of reliability, responsiveness, assurance, and empathy, whereas customers are more satisfied with an Islamic bank in terms of tangibility (Kamarudin and Kassim, 2020). Additionally, they also revealed that customers are most satisfied with Islamic and conventional banks in terms of tangibility, followed by their assurance, reliability, empathy, and responsiveness. The findings indicate that all five dimensions are significant to both males and females customers in Islamic and conventional banks. A similar result proved by Razak, Sakrani, Wahab, Abas, and Rodzi (2013), the five independent variables; reliability, assurance, responsiveness, empathy, and tangibly affected customers' satisfaction with the quality of services provided by Bank Islam Malaysia Berhad (BIMB).

Likewise, Tan, Chew, and Hamid (2016), Malaysian banking customers have higher expectations than perceptions regarding service quality, and the tangible dimension has the

most significant impact on customer satisfaction. According to the study, the five SERVQUAL dimensions positively affect customer satisfaction among banking customers in Malaysia, implying that customer satisfaction is also high when service quality is high. Consequently, the study discovered that the most significant independent variable is tangibility, followed by reliability, empathy, assurance, and responsiveness. Lee and Moghavvemi (2015) founded that tangibles, empathy, and reliability all have a statistically significant effect on perceived value where it is a critical factor in determining customer satisfaction. Then again, the same researchers, Moghavvemi, Lee, and Lee (2018), uncovered that customers' experiences with perceived overall service quality significantly positively affect customer satisfaction in foreign and local banks.

Nonetheless, respondents from foreign banks report a higher overall satisfaction level than their counterparts from local banks. Therefore, banks should place a premium on customer perceptions of overall service quality to boost customer satisfaction. Salleh, Abdullah, Nawi, and Muhammad (2019) discovered a slightly different result. They discovered that while assurance and empathy are strongly correlated with customer satisfaction, reliability, responsiveness, and tangibility are not. Maintaining a loyal customer base requires a high level of customer satisfaction. It is critical to connecting service quality, customer satisfaction, and customer loyalty. According to Kumar et al. (2009), high-quality service results in increased customer satisfaction and loyalty.

**Customer Loyalty**
Consumer loyalty is critical for capturing market share and establishing a sustainable competitive advantage in increasingly competitive markets. Banking is no exception; due to the high level of interaction with customers, managers must understand the factors influencing customer loyalty toward their respective banks (Afsar, Rehman, Qureshi, and Shahjehan, 2010). Throughout our review, we discovered that the SERVQUAL dimensions are also used in the banking sector to evaluate the service quality associated with customer' loyalty. First, we found this in the study by Chunnoo and Chen (2019). According to them, service quality has a positive and significant relationship with foreign banks' customers' loyalty in Malaysia, as measured by the SERVQUAL model. Furthermore, they said that the service quality promotes loyalty through various layers. For example, the customers tend to favour having up-to-date equipment such as ATM (tangible), superior service quality characterized by prompt responses, a substantial greater willingness of bank employees to assist customers, and less time-consuming and convenient customers (responsiveness). Additionally, Peng, Moghavvemi, and Teng (2019) discovered a robust relationship between empathy, reliability, tangibility, and customer loyalty. These findings reaffirmed the critical role of empathy, reliability, and tangibility as direct determinants of bank image and their impact on customer trust and loyalty.

**Service Quality Gap**
The term "perceived service quality" refers to the customer's assessment of the overall service quality, which is determined by the gap between customer expectations and actual performance levels. In the third theme of this paper, we discovered that several authors adapted SERVQUAL dimensions to account for the perceived overall service quality gap. First, Charles and Kumar (2014). They suggested that Maybank be considered one of the ideal banks to follow the strategies regarding quality management practices by adapting SERVQUAL to bridge the overall service gap. Meanwhile, Hamzah et al. (2017) confirm that the tangibles, empathy, and reliability of SERVQUAL dimensions contribute to the overall SERVQUAL perception in Malaysia's banking sector. Second, Taap, Chong, Kumar, and Fong (2011) have studied the service quality between conventional and Islamic banks. They noticed a service quality gap between the two types of banks. They also discovered that Islamic banks have a greater

SERVQUAL gap than conventional banks. A thorough investigation of the dimensions exposes that there are gaps in service quality across all dimensions for both conventional and Islamic banking. However, in both types of banks, fewer gaps are found on items measured for tangibility dimension.

## CONCLUSION AND RECOMMENDATION

This review of the service quality literature is further to understand the research in service quality of banks, highlight the various issues discussed related to SERVQUAL dimension towards service quality, and keep track of changes in the industry measurement of service quality. Furthermore, by integrating multiple research streams and then analyzing the variations within them, we can extract their most important and relevant insights and provide a rule base for discussing their findings. Service quality is critical for achieving broad goals, such as building trust, increasing customer satisfaction, and nurturing loyalty, all of which are recognized as critical factors in a business's success and competitive advantage (Berry et al., 1988). It is critical for service sectors such as banking, as rapid globalization has increased competition and provided high-quality services with a necessity for survival (Roy, Lassar, Ganguli, Nguyen, & Yu, 2015). Additionally, the banking sector's primary product is undifferentiated. Thus, service quality becomes a critical tool in the marketplace, as providing superior service quality is perceived as a path to success and a method of differences in the majority of service-oriented businesses.

Our study outlines several future directions for research. First, additional research should be conducted to determine the relationship between SERVQUAL's various dimensions: competence, convenience, products, security, et cetera. Second, studies can be conducted to test the interactive effects of the dimensions, such as examines the quality of services based on lived experiences of the customers. Thirdly, in terms of measurement, it must be fascinating to investigate the impact of customer satisfaction on an organization's business/financial performance by creating an index that can be used as a benchmark for other bank organizations. Finally, provided the increasing use of technology in delivery, future researchers should investigate measurements from the perspective of mixture services, such as those that combine human and technological channels, such as e-banking, telecommunication services, and et cetera, in which human and technology interact.

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