

# Comparative Study of Pakistani and Chinese Banking Industry using SERVQUAL Model

Faheem Gul Gilal<sup>1\*</sup> Yang Jianhua<sup>1</sup> Rehman Gul Gilal<sup>2</sup> Rukhsana Gul<sup>3</sup>

1. Donlinks School of Economics and Management, University of Science and Technology Beijing, P.R. China

2. Department of Business Administration, Shah Abdul Latif University Khairpur, Pakistan

3. School of Management, Wuhan University of Technology, P. R. China

\* [faheemgulgilal@yahoo.com](mailto:faheemgulgilal@yahoo.com)

## Abstract

This study aimed to explore, measure and compare the SERVQUAL model of service quality in Pakistani and Chinese context and to compare the degree of customer's satisfaction and loyalty in Pakistan and China. This study used non-probabilistic sampling technique, particularly convenience, judgmental and quota sampling techniques were implemented. The total sample size for this study was 325 (n = 325), 163 (n = 163) respondents were contacted in China and 162 (n = 162) respondents were contacted in Pakistan. The data were analyzed by using inferential statistics; mainly Independent samples t-test and descriptive techniques were applied. The results of this study revealed, that reliability and responsiveness dimensions of SERVQUAL model are very strong in Chinese banking industry as compared to Pakistani banking. Similarly, assurance dimension is significant in Pakistani context. Tangibility and empathy dimensions are proved to be common in both countries. Moreover, customer's satisfaction and loyalty in China is very strong as compared to Pakistan. This study can be valuable for decision makers of banking industry of both countries, in order to develop strategies by incorporating this hidden yet very important inside of customer's psychology.

**Keywords:** SERVQUAL Model, Pakistan, China, Banking Industry, Customer's Satisfaction and Loyalty

## 1. Introduction

Customer satisfaction is a prominent theoretical as well as practical issue in the marketing and consumer behavior research (Faheem, G. Gilal et al., 2015). Customer satisfaction can be regarded as a key of success in today's highly competitive business environment (Faheem, G. Gilal et al., 2015). The importance that customers place on service quality attributes is the driver of satisfaction and loyalty. The ultimate goal of every organization is to acquire new customers and sustain existing satisfied customers to continue consuming products and services provided by companies (Faheem, G. Gilal et al, 2015). Service quality is considered as the most important factor for organizations to attract, sustain and differentiate their products and services from competitors.

A vast number of studies have reported the significance of service quality (Siddiqui, K, & Gilal, F. Gul (2012). Best service quality is usually considered as a way to retain existing customers and acquire new ones (Gilal, R.G., et al. 2012; Cronin et al., 2000) enhance corporate image (Reichheld & Sasser, 1990) reduce cost (Rust & Zahorik, 1993) generate positive word-of-mouth (Faheem, G. Gilal et al, 2014; Yoon & Suh, 2004) and enhance profitability (Faheem, G. Gilal et al., 2015; Kang & James, 2004; Berry et al., 1989).

Moreover, research has identified that customer satisfaction can lead to customer's loyalty (Caruana, 2002; Caruana et al., 2000; Fournier & Mick, 1999). Loyal customers in turns repurchase the products and services from the same service providers (Faheem, G. Gilal et al., 2015; Ryan et al., 1999) which in turn, help the firm to generate huge revenue in the long run. The Variations in service quality may prove as a fruitful to influence customers' perceived value, satisfaction, trust and loyalty. Thus, the relationships between these aspects can provide service providers with insights into both tangible and intangible service quality improvements, especially to develop a competitive edge in the banking industry. This research employs the SERVQUAL model to explore, measure and compare customer's satisfaction and loyalty in the banking industry of Pakistan and China.

## 2. Literature Review

Service quality is defined by many researchers in different ways. According to Smith, (1988) Service quality is meeting the needs and expectations of the customer. Parasuraman et al, (1985) defined service quality as the degree of discrepancy between customer's expectations for service and their perceptions of service performance. The definitions of service quality can be broadening to the general evaluation of a specific service quality dimensions such as reliability, tangibility, responsiveness, assurance, credibility, competence, empathy, security, communication and understanding the customer (Parasuraman et al., 1985, 1988). These dimensions have been refined by researchers into five to measure customer's perceived value of service quality, which is well known today as SERVQUAL model (Parasuraman et al., 1988; Zeithaml et al, 1990) The Five dimensions of SERVQUAL have been developed for the service sectors which includes reliability, tangibility, responsiveness, assurance and empathy (Van Iwaarden et al., 2003).

The first dimension of SERVQUAL model is reliability which is the ability of the organizations to perform the promised service accurately and unflinchingly. This can be the one of the major reason for customers to choose any third party such as banks to make their money secure. Banks always promise and ensure customers a high level of security during transactions, which in turns increase customers' trust and confidence (Parasuraman et al, 1985). Tangibility is another dimension of SERVQUAL model which represents physical facilities, equipment and appearance of personnel, for instance, comfortable store designs, up-to-date equipment for customer use and sufficient staff to provide service are the tangible factors related to retail banks which play prominent role to delight customers empathy (Van Iwaarden et al., 2003). Moreover, the responsiveness dimension of SERVQUAL model represents the willingness to help customers and provide prompt service with any delay. In order to win the hearts and minds of customers and to be helpful and responsive to customers, banks for Instance have to work on this personal service dimension which in turns enhances customer satisfaction (Parasuraman et al., 1985, 1988). Similarly, the assurance dimension of SERVQUAL model explains the knowledge and courtesy of employees and their ability to inspire trust and confidence (Angur et al., 1999). The final dimension of SERVQUAL is empathy, which represents the individualized attention that businesses provide to their customers (Parasuraman et al, 1985). Employees who show understanding of customer needs and are knowledgeable to solve customer problems are success factors for the service sector. The purpose of this dimension is to retain customers to keep using the bank service (Van Iwaarden et al., 2003).

The research conducted in the Indian context in order to measure the applicability of the service quality measure, the results suggested that SERVQUAL dimensions were not equally important in explaining variances. For instance, responsiveness and reliability dimensions of SERVQUAL model were proved as a most prominent dimensions, followed by the empathy and tangible dimensions. The assurance dimension was appeared to be the least important. It was concluded that SERVQUAL is the good model to evaluate service quality in the banking industry (Angur et al., 1999). Therefore this study aimed at to investigate and compare the dimensions of service quality model in Pakistani and Chinese cultural context, particularly this study has addressed following research questions.

- Do Chinese and Pakistani banks have any significant differences by using SERVQUAL Model?
- To investigate and compare the customer's Satisfaction and loyalty between Chinese banking and Pakistani banking industry.

### 3. Research Hypotheses

H1: The mean of reliability dimension of SERVQUAL for Chinese banking industry is significantly different from the mean of reliability dimension for Pakistani banking industry.

H2: The mean of tangibility dimension of SERVQUAL for Chinese banking industry is significantly different from the mean of tangibility dimension for Pakistani banking industry.

H3: The mean of responsiveness dimension of SERVQUAL for Chinese banking industry is significantly different from the mean of responsiveness dimension for Pakistani banking industry.

H4: The mean of assurance dimension of SERVQUAL for Chinese banking industry is significantly different from the mean of assurance dimension for Pakistani banking industry.

H5: The mean of empathy dimension of SERVQUAL for Chinese banking industry is significantly different from the mean of empathy dimension for Pakistani banking industry.

H6: The mean of customer's satisfaction in the Chinese banking industry is significantly different from the mean of customer's satisfaction in the Pakistani banking industry.

H7: The mean of customer's loyalty in the Chinese banking industry is significantly different from the mean of customer's loyalty in the Pakistani banking industry.

### 4. Research Methodology

The targeted sample of study comprised of customers of banking sector of Pakistan and China, mainly customers of commercial and retail banks of two countries were chosen for this study. Moreover this study employed non-probabilistic approach; essentially, convenience, quota and judgmental, techniques were implemented. Total sample size for this study was 325 (n = 325), specifically 163 (n= 163) respondents were contacted in China and 162 (n= 162) respondents were contacted in Pakistan.

A scale developed by Parasuraman et al. (1985) was used to compare the results of Pakistani and Chinese banking industry. First part of questionnaire consisted of five variables of SERVQUAL model such as reliability, responsiveness, assurance, tangibility, and empathy. Moreover, a scale used by Consuegra et al., (2008) was adapted to measure customer's satisfaction and loyalty. Each variable was measured on a five point likert scale ranging from (1) strongly disagree to (5) strongly agree. Furthermore, primary data were collected from the metropolitan cities of Pakistan (Islamabad, Karachi, Hyderabad, Lahore, Sukkur) and from China (Beijing, Shanghai, Dalian, Wuhan, Xi'an, Nanjing, Guangzhou, Xiamen and Zhejiang). Finally, Independent samples t-test and descriptive statistics were used to analyze the data.

## 5. Results/Discussion

As shown in the table 1 and 2 Independent samples t-test was run to determine significant difference between customers of Chinese banks and customers of Pakistani banks about reliability dimension. The results show that the mean value for customers of Chinese banks ( $M = 19.29$ ,  $SD = 1.63$ ) and customers of Pakistani banks ( $M = 6.34$ ,  $SD = 2.06$ ) are significantly different for both countries about reliability dimension. Moreover, the results of Levene's test for equality of variance also suggested significant difference between the mean score of Chinese banks and Pakistani banks' customers ( $M = 12.95$ ,  $t(323) = 62.60$ ,  $p = .000$ ; CI = 12.54 to 13.35) with f- value of 6.537 which is significant at  $p$ - value .011. Thus H1 is supported which suggests that banks in china have a stronger reliability dimension than the banks in Pakistan.

Similarly, in H2 it was proposed that the mean of tangibility dimension for Chinese banks is not equal to the mean of tangibility dimension for Pakistani banks. The results shows the mean value for customers of Chinese banks ( $M = 12.29$ ,  $SD = 2.65$ ) and customers of Pakistani banks ( $M = 12.47$ ,  $SD = 2.07$ ) proved to be same regarding tangibility dimension. In addition, the results of Levene's test for equality of variances shows the trivial difference between the mean score of Chinese banks and Pakistani banks' customers ( $M = -.180$ ,  $t(323) = 1.82$ ,  $p = .070$ ; CI = -1.001 to .039) with f- value of 8.861 at  $p$ - value .003, thus H2 is not supported. It can be concluded that the tangibility aspect is very common in banking sector of both countries.

Moreover, in H3 it was proposed that the mean of responsiveness dimension for Chinese banks is not equal to the mean of responsiveness dimension for Pakistani banks. The results suggested that the mean value for customers of Chinese banks ( $M = 17.73$ ,  $SD = 2.08$ ) and customers of Pakistani banks ( $M = 11.55$ ,  $SD = 3.03$ ) proved statistically significant. Furthermore, the results of Levene's test also revealed significant difference in mean score of two banks' customers ( $M = 6.18$ ,  $t(323) = 21.41$ ,  $p = .000$ ; CI = 5.610 to 6.745) with f- value of 23.278 which is significant at  $p$ - value .000, thus H3 is supported. It can be concluded that the responsiveness dimension is very strong in Chinese banking sector as compare to the Pakistani banking sector.

**Table 1 Independent Samples t-test — Group Statistics for SERVQUAL dimensions and Customer's Satisfaction and Loyalty**

Dimensions	Customers	N	Mean	Std. Deviation	Std. Error Mean
Reliability	Customers of Chinese banks	163	19.29	1.63	.128
	Customers of Pakistani banks	162	6.34	2.06	.162
Tangibility	Customers of Chinese banks	163	12.29	2.65	.208
	Customers of Pakistani banks	162	12.47	2.07	.162
Responsiveness	Customers of Chinese banks	162	17.73	2.08	.163
	Customers of Pakistani banks	163	11.55	3.03	.238
Assurance	Customers of Chinese banks	162	8.88	2.66	.209
	Customers of Pakistani banks	163	13.37	2.04	.159
Empathy	Customers of Chinese banks	163	17.69	5.96	.467
	Customers of Pakistani banks	162	17.23	5.35	.420
Customer's Satisfaction	Customers of Chinese banks	163	4.06	1.35	.106
	Customers of Pakistani banks	162	1.50	.741	.058
Customer's Loyalty	Customers of Chinese banks	163	9.86	1.74	.136
	Customers of Pakistani banks	162	3.11	1.04	.081

**Table 2 Testing Proposed Hypothesis**

Hypotheses	Variable	Mean Difference	t = value	p- value	Conclusion
H1	Reliability	12.95	62.60	.000	Accepted
H2	Tangibility	-.180	1.82	.070	Rejected
H3	Responsiveness	6.18	21.41	.000	Accepted
H4	Assurance	-4.49	17.09	.000	Accepted
H5	Empathy	.453	.721	.471	Rejected
H6	Customer's Satisfaction	2.56	21.01	.000	Accepted
H7	Customer's Loyalty	6.75	42.45	.000	Accepted

In H4, it was proposed that the mean of assurance dimension for Chinese banks is not equal to the mean of assurance dimension for Pakistani banks. The results indicated that the mean value for customers of Chinese banks ( $M = 8.88$ ,  $SD = 2.66$ ) and customers of Pakistani banks ( $M = 13.37$ ,  $SD = 2.04$ ) drastically uncommon in relation to assurance dimension. Likewise, the results of Levene's test discovered the significant difference in mean score of two banks' customers ( $M = -4.49$ ,  $t(323) = 17.09$ ,  $p = .000$ ; CI = 3.978 to 5.013) with f- value of 24.956 which is significant at  $p$ - value .000, thus H4 is supported. However, it can be concluded

that the assurance dimension is very strong in the Pakistani banking sector as compare to Chinese banking sector.

In H5, it was proposed that the mean of empathy dimension for Chinese banks is not equal to the mean of empathy dimension of SERVQUAL for Pakistani banks. The results shows that the mean value for customers of Chinese banks ( $M = 17.69$ ,  $SD = 5.96$ ) and customers of Pakistani banks ( $M = 17.23$ ,  $SD = 5.35$ ) appeared to be common in for two countries about empathy dimension. Moreover, the results of Levene's test indicated the trivial difference between the mean score of two country's customers ( $M = .453$ ,  $t(323) = .721$ ,  $p = .471$ : CI = .849 to .3.883) with f- value of 1.323 at  $p$ - value .251, thus H5 is not supported. It can be concluded that the empathy dimension is very common in banking sector of both Pakistan and China.

Furthermore, in H6 it was proposed that the mean for customer's satisfaction of Chinese banks is not equal to the mean of customer's satisfaction for Pakistani banks. The results revealed that the mean value for customers of Chinese banks ( $M = 4.06$ ,  $SD = 1.35$ ) and customers of Pakistani banks ( $M = 1.50$ ,  $SD = .741$ ) significantly different regarding customer's satisfaction. In addition to that, the results of Levene's test suggested the significant difference in mean score of two banks' customers ( $M = 2.56$ ,  $t(323) = 21.01$ ,  $p = .000$ : CI = 2.316 to 2.794) with f- value of 128.596 which is significant at  $p$ - value .000, thus H6 is supported. It can be concluded that the customer's satisfaction is very strong in Chinese banking sector as compare to the Pakistani banking sector.

Finally, in H7 it was proposed that the mean for customer's loyalty of Chinese banks is not equal to the mean of customer's loyalty for Pakistani banks. The results indicated that the mean value for customers of Chinese banks ( $M = 9.86$ ,  $SD = 1.74$ ) and customers of Pakistani banks ( $M = 3.11$ ,  $SD = .1.04$ ) are significantly different in relation to customer's satisfaction. Moreover, the results of Levene's test revealed significant difference in mean score of two banks' customers ( $M = 6.75$ ,  $t(323) = 42.45$ ,  $p = .000$ : CI = 6.444 to 7.071) with f- value of 74.536 which is significant at  $p$ - value .000, thus H7 is supported. As the mean difference is quite large, so it can be concluded that the customer's loyalty towards Chinese banking sector is very high as compared to the customer's loyalty in the Pakistani banking sector.

## 6. Conclusion and Implication

The basic objectives of this study were to explore, compare and measure SERVQUAL dimensions of Pakistani and Chinese banking industry and to explore and compare the customer satisfaction and loyalty in the banking industry of Pakistan and China. The results of this study revealed that reliability and responsiveness dimensions are very strong in Chinese banking industry as compared to the Pakistani banking sector. This is because respondents in China believe that their banking industry perform the promised services dependably and accurately. Banks always promise customers a high level of security during transactions; therefore their banking industry has increased customers' confidence and trust. Moreover, the employees in the Chinese banking industry are more willingness to help customers and provide prompt services.

Similarly, the assurance dimension is very strong in Pakistani banking industry as compared to Chinese banking sector. This may be due to the fact that respondents in Pakistan strongly believe that the knowledge and courtesy of employees and their ability to inspire trust and confidence are very high. Moreover, employees of banking sector of Pakistan had provided a clear explanation of each product to customers, so that's why customers feel confident about the services provided by banks in Pakistan as compared to the China. Furthermore, the tangibility and empathy dimensions of SERVQUAL model proved to be common in Chinese and Pakistani cultural context. This is because both countries' employees (of banking sector) show understanding of customer needs and are highly knowledgeable to solve customer problems with keen interest and dedications. Furthermore, the customer's satisfaction and loyalty in Chinese banking industry appears to be very strong as compared to the customer's satisfaction and loyalty in Pakistani context.

In general, this research can valuable for the strategist and policy makers of banking industry of both countries in order to shape future policies and procedures. Moreover, the top and middle management of banking sector of Pakistan should use this body of knowledge to refocus and redesigns their strategies in order to achieve reliability and responsiveness dimension of service quality to ensure customer's satisfaction and loyalty. Decision makers of Chinese banking sector should strive for assurance dimension of SEVQUAL model in order to win the hearts and minds of Chinese customers.

## 7. Future Study

Basically, the targeted sample of study was the customers of Chinese and Pakistani banking industry, future study can be carried out by comparing the customers' satisfaction and loyalty in other service sector of both countries such as transportation. Future study can also be undertaken to compare customer's satisfaction and loyalty in online shopping of both countries such as Jingdong, Taobao, Homeshopping.pk, Daraz.pk and Ishopping.pk.



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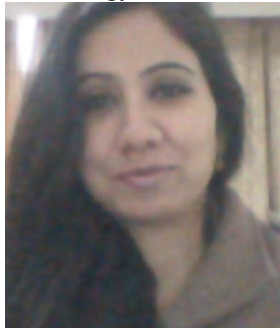
**Faheem. G. Gilal** is a research-scholar at University of Science and Technology Beijing, China. His areas of specializations are Consumer Psychology, Supply Chain Management, Brand Management, Marketing and Management. Mr. Faheem holds a Master of Management from University of Science and Technology Beijing, P.R. China.



**Yang Jianhua** is a Professor in Department of Management Science and Engineering, University of Science and Technology Beijing, P.R. China. Dr. Yang did his PhD in Management Science from Nanjing University of Science and Technology, China. His areas of specializations are Operations Management, Quality Management, Supply Chain Management, Enterprise Resource Planning and Decision Making.



**Gilal Rehmen Gul** is an Associate Professor in Department of Business Administration Shah Abdul Latif University Khairpur, Pakistan, and his areas of specializations are Consumer Psychology, Consumer Behavior, Marketing, and Brand Management. Dr. Rehmen holds a Doctorate degree from Wuhan University of Technology, P.R. China.



**Rukhsana Gul** is a Ph.D-scholar in Management Science & Engineering at Wuhan University of Technology, P.R. China. Her research interests are in the field of Marketing with special focus on Brand Experiences, Experiential Marketing, Consumer Behavior and Psychology.

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