

The Impact of the Service Quality on Customer Satisfaction: A Case Study of Colombo Stock Exchange, Sri Lanka

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Abstract

This study was undertaken with the objective of finding out the relationship between quality of service and customers satisfaction Colombo Stock Exchange. For this study, Quality of services is evaluated by reliability, functionality, responsiveness service design and assurances, and also reviewed with help of the GAP analyze this was established by Zeithaml, Parasuram and Berry. Customer satisfaction is appraised by service facility and accessories, convenience and supporting service, total customer value, total customer cost. The present study is initiated on "relationship between service quality and customer satisfaction" with the samples of 300 customers of Colombo Stock Exchange. The study found that the correlation value between service quality and customer satisfaction is 0.797. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfactions. According to the Regression analysis, 63% service quality impact on customer satisfaction. Finally, service quality influences on customer satisfaction. The study further points out that keen attention should be paid on to polish service quality. Because, service quality are inter related with customer satisfaction.

Key words: Customer Satisfaction, Service Quality, Colombo Stock Exchange

1. Introduction

In Sri Lankan economy, Colombo Stock Exchange play is most significant role and Share trading in Sri Lanka commenced in the 19th century, with the need for funds to set up Tea Plantations in Sri Lanka. The Colombo Share Brokers Association commenced the trading of shares in limited liability companies in 1896, which were involved in the opening up of plantations in the country. The Colombo Share Market continued operations for almost a century, experiencing several vicissitudes due to political and economic factors during the period. A landmark event in the history of share trading in Sri Lanka was the formalization of the market with the establishment of the "Colombo Securities Exchange (GTE) Limited" in 1985, which took over the operations of stock market from the Colombo Share Brokers' Association. It was renamed 'Colombo Stock Exchange' (CSE) in 1990. The CSE is a company limited by guarantee, established under the Companies Act No. 17 of 1982 and is licensed by the Securities & Exchange Commission of Sri Lanka (SEC). The CSE is a mutual exchange and has 15 full members, 5 Trading Members licensed to trade both equity and debt securities and 1 Trading Member specializing in the trading of debt securities. All members are licensed by the SEC to operate as stockbrokers. All members are corporate entities and some are subsidiaries of large financial institutions.

Customer satisfaction and service quality are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving customer satisfaction and maximizing share of customers in view of the beneficial effects on the financial performance for the firm. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Not surprisingly, considerable research has been conducted on these two concepts. Notably, the quality and satisfaction concepts have been linked to customer behavioural intentions like purchase and loyalty intention willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Kang, Nobuyuki and Herbert, 2004; Soderlund and Ohman, 2005). Quality is an ability of a set of inherent characteristics of product, system or process to fulfill requirements of customers and other interested parties. But service quality meant that overall collection of implicit and explicit characteristic that the service can satisfy

the customer (Parasuraman, Zeithaml, and Berry, 1990). This study was evaluated the relationship between service quality and customer satisfaction on Colombo Stock Exchange

2. Research problem

Customer satisfaction and service quality are most important elements in achieving organizational goals. Organization tries to have constant customer satisfied with the service provided by it. So, service quality plays a pivotal role in determining customer satisfaction. In a way, quality needs to be understood and manage throughout the services of an organization. Hence, quality services are considered as most important aspect. Satisfaction and quality have evolved along parallel tracks (Strandvik and Liljander, 1995). The relation of both constructs is currently subject to a passionate and controversial (Gotlieb, Grewal and Brown, 1994; Patterson and Johnson, 1993). Whatever aspect (reference object establish, relevance of emotion) for the distance are satisfaction or quality particularly importance regarding the impact on customer retention, transaction related satisfaction valued have to be complement by product, service related quality perception of customers because of the ephemeral characters emotional determination of the satisfaction construct. Here we have to consider the significance customer satisfaction due to customer satisfaction depends on service quality. Colombo Stock Exchange is a leading shares market in world. International reputed service organization it provides more effective service for customer. Even though, customer satisfaction is a feeling which is differed person to person. By that, the present studies initiated to find out that to what extent impact of the quality service on customer satisfaction in Colombo Stock Exchange.

3. Objectives of the Study.

The main object of the study is to examine the relationship between quality of service and customer satisfaction.

Sub objectives

1. To recognize the factors which influences the customer satisfaction;
2. To suggest the Colombo Stock Exchange to increase the customer satisfaction and service quality.

4. Review of the literature

In the past two decades, although more and more research finding have appeared concerning quality, it is still worth noting here that there are distinct conceptualizations of quality (Holbrook). Customer satisfaction is generally described as the full meeting of one's expectations. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. The confirmation model treats satisfaction as a meeting of customer expectations (East, 1997; Oliver 1989) and is generally related to habitual usage of products (East, 1997). However, research on customer satisfaction has moved towards the disconfirmation paradigm which views satisfaction with products and brands as a result of two cognitive variables: pre purchase expectations and disconfirmation (Churchill and Surprenant, 1982; Peter and Olson, 1996). According to Peter and Olson (1996), "pre purchase expectations are beliefs about anticipated performance of the product; disconfirmation refers to the differences between pre purchase expectations and post-purchase perceptions". In an earlier study, Churchill and Surprenant (1982) reported that disconfirmation positively affected satisfaction. That is, when subjects perceived the product performing better than expected, they were more satisfied (Churchill and Surprenant, 1982). Further empirical research supports the notion that satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers (Bearden and Teel, 1983; Moutinho and Goode, 1995; Cadotte 1987).

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. Since the mid-1970s annual conferences have been held on customer satisfaction (e.g., Hunt, 1977), with proceedings being published since 1981 in the Journal of Customer Satisfaction, Dissatisfaction and Complaining Behavior. During the past two decades, more than 1200 articles have been published in the area of customer satisfaction research (Perkins, 1991; Wilkie, 1990). In numerous publications, satisfaction has been treated as the necessary premise for the

retention of customers, and therefore has moved to the forefront of relational marketing approaches (Rust and Zahorik, 1993). Kotler sums this up when he states:

A basic problem for the investigation of the satisfaction – retention link is that, after more than two decades of theory development, there is still no widely accepted consensus on the satisfaction construct (Swan and Trawick, 1993). Particular importance for the analysis arises from the fact that a conclusive distinction is missing between customer's satisfaction and the adjacent construct of product and service quality.

Satisfaction and quality research “have evolved along parallel tracks” (Strandvik and Liljander, 1995). The relation of both constructs is currently subject to a passionate and controversial debate. (e.g. Gotlieb, Grewal, and Brown, 1994; Patterson and Johnson, 1993). For the investigation undertaken here, the following aspects for the distinction of satisfaction and quality are of particular importance.

Because quality is a dynamic construct, additional consumption experiences influence and modify and the existing quality perception and cause changes in this perception (Thompson & Getty, 1994).

5. Data collection.

The primary and secondary data were collected for the survey. Primary data were collected through questionnaires and secondary data were collected from books, journals, and magazine.

6. Sample

The study limited to customers of Colombo Stock Exchange. Convenience random sampling method has been adopted to select customer from Colombo Stock Exchange. Researcher circulated three hundred thirty (330) questionnaires to customers but three hundred (300) customers responded. Out of three hundred consumers, 170 are male and 130 are female. Their age ranges from 20 to 70 years. Sample consist 42 foreigners and 258 domestic customers.

7. Methodology

Questionnaire is designed to gather the data. It consists of four parts A, B, and C.

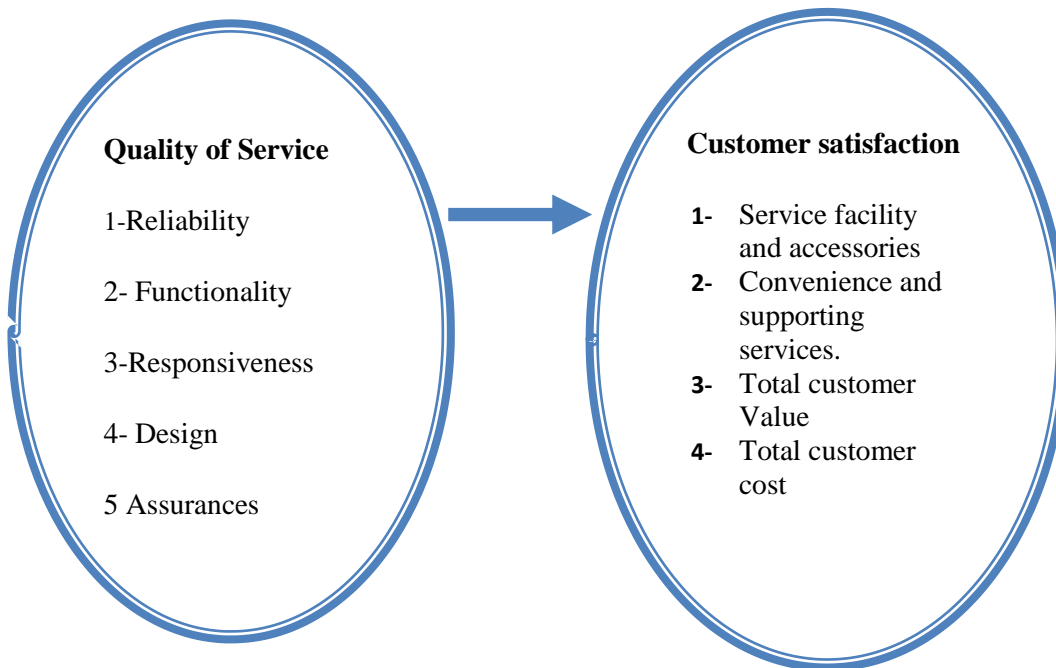
Part –A, it deals with personal characteristics such as sex, status, age, education, monthly income, and country.

Part –B consists 19 statements to measure the service quality. Five dimensions such as Reliability, Responsiveness, Functionality, Design, and Assurance are considered for measurement of service quality.

Part-C consists of 13 statements which are divided into four main variables (Service facilities and Accessories, Convenience and Supporting service, Total customer value, and Total customer cost) to measure the customer satisfaction.

By including variables, questionnaire is prepared with five point Likert- scaling system. In a way, qualitative is data converted into quantitative and then details analysis is made with appropriate statistical tools, in order to prove the objective to test the hypothesis

8. Conceptualization model



Above conceptualization model shows the relationship between variables. Thus service quality is considered as independent variable whereas customer satisfaction is the dependent variable.

9. Hypotheses

Following hypothesis are taken for the present study.

1. Service quality and customer satisfaction are positively correlation.
2. There is no relationship between service quality and customer satisfaction

10. Analysis and finding

This part concentrates with the presentation of data as descriptive statistic, relationships between variables in Colombo Stock Exchange.

Table – 01 Descriptive Statistics for service quality

Details of variable	Mean	Std. Deviation
Reliability	5.55	2.250
Functionality	5.34	1.501
Responsiveness	5.17	1.552
Design	5.01	1.509
Assurance	5.16	2.287

From the above table, we can observe that according to mean value reliability and functionality are the important service quality factors. However service design is not considered as most essential factor. Conversely, on the basis of standard deviation, functionality is most significant factor.

Table – 02 Descriptive Statistics for customer satisfaction

Details of variable	Mean	Std. Deviation
Service facilities and accessories	5.55	2.250
Total customer value	5.34	1.501
Total customer cost	5.13	1.590
Convenience & shopping	5.17	1.552

From table -02 ,we are able to observe that according to mean value service facilities and accessories and customer value are most crucial factors to create customers satisfaction even if total customer cost is not take into account most important factors to make customer satisfaction.

Conversely, on the basis of standard deviation, total customer value and convenience and shopping are most important aspects on customer satisfaction where as service facilities and accessories is considered as the least important factor.

Correlation

The research is undertaken to find out the relationship between Quality of Service and Customer Satisfaction. Correlation analysis was carried out to find out the nature of relationship between the variable based on the value of correlation

Table – 03 correlations between service quality and customer satisfaction

	Service Quality	Customer satisfaction
Service quality	1	.797
Customer satisfaction	.797	1

** Correlation is significant at the 0.01 level

Table -03 indicates that customer satisfaction and service quality are significantly correlated at 0.01significance level. The correlation value between service quality and customer satisfaction is 0.797which is significant at 0.01 levels.

Table – 04 correlations between dimensions of service quality and customer satisfaction

	Reliability	Functionality	Responsiveness	Design	Assurance	Customer satisfaction
Reliability	1					.667**
Functionality		1				.340**
Responsiveness			1			.579**
Design				1		.254**
Assurance					1	.534**
Customer satisfaction	.667**	.340**	.579**	.254**	.534**	1

** Correlation is significant at the 0.01 level

According to above table, customer satisfaction and Reliability, responsiveness and assurance are significantly correlated at 0.01 significance level. The correlation value between Reliability, responsiveness and assurance and customer satisfaction are 0.667, .579, .534 respectively which is significant at 0.01 levels.

Regression analysis

Regression analysis was carried out to test the impact of service quality on customer satisfaction in Colombo Stock Exchange. Here service quality is the independent variable and customer satisfaction is dependent variables. From these independent and dependent variables, the following relationships are formulated. Customer satisfaction (C) is dependent upon service quality (S). It is represented as follows.

$$C=f(S) \text{ ----- (1)}$$

To test the impact of service quality on customer satisfaction, the following equation can be formulated.

$$C= \beta_0 +\beta_1(S)$$

Where; β_0 and β_1 are the regression coefficient

C- Customer satisfaction

S- Service quality

Thus the regression result are presented below

From the table -05, we can observe that customer satisfaction is influenced by service quality by 63%. Remaining 34% are determined by other factors.

Table -05 Regression Analysis for service quality and customer satisfaction in Colombo Stock Exchange.

Variable	HSBC	β	t- value	Significant At .001 level
constant	5.074		7.053	.000
service quality		.614	29.092	.000
R	.797			
R ²	.635			
Adj R ²	.633			
F	517.43			

12. Conclusion

The correlation value between and service quality and customer satisfaction is 0.797. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfaction. According to the Regression analysis, customer satisfaction is influenced by service quality by 63%. Finally service quality influences to customer satisfaction. So, finally we can come to the conclusion that service quality has an impact on customer satisfaction. Colombo Stock Exchange management should understand the customer expectation. Thus, organization needs to provide job description and job specification for each employee. By that, employee able to reduces the role conflict and ambiguity.

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