

IMPACT OF SERVICE QUALITY AND CUSTOMER SATISFACTION ON SUSTAINABLE DEVELOPMENT IN PRIVATE BANKS

By

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Abstract

Service quality and customer satisfaction are crucial factors influencing sustainable development in the private banking sector. This study explores the impact of service quality dimensions, reliability, responsiveness, assurance, empathy, and tangibility, on customer satisfaction and examines how these factors contribute to sustainable banking practices. High service quality enhances customer trust, loyalty, and long-term relationships, which support the economic sustainability of private banks. Moreover, satisfied customers are more likely to engage in digital banking, green banking initiatives, and responsible financial practices, thereby promoting environmental and social sustainability. The study also highlights the role of customer-centric strategies in achieving financial inclusion, operational efficiency, and ethical banking. By aligning service quality improvement with sustainable development goals, private banks can balance profitability with social responsibility. The findings emphasise that enhancing service quality and customer satisfaction is not only essential for competitive advantage but also a key driver of sustainable development in the private banking industry.

Keywords: *service quality, customer satisfaction, sustainable development, private banks, sustainable banking, customer loyalty, financial inclusion, green banking, banking services, and sustainable development goals (SDGS).*

Introduction

In the modern banking environment, private banks play a significant role in

economic growth and sustainable development. Service quality and customer satisfaction have emerged as key determinants of success in the

competitive banking sector. High service quality in terms of reliability, responsiveness, assurance, empathy, and tangibility directly influences customer satisfaction and builds long-term relationships with customers. Satisfied customers contribute to the stability and sustainability of banks through loyalty, trust, and continued usage of banking services. Furthermore, private banks are increasingly adopting sustainable banking practices such as digital banking, green financing, and financial inclusion to support sustainable development goals. Effective service delivery encourages customers to accept and participate in these initiatives, thereby enhancing social, economic, and environmental sustainability. Thus, understanding the impact of service quality and customer satisfaction on sustainable development is essential for private banks to achieve long-term growth while balancing profitability with social responsibility.

Statement of the Problem

Private Banks operate in a highly competitive and dynamic environment

where service quality and customer satisfaction are critical for long-term sustainability. Despite significant investments in technology, digital banking, and customer service initiatives, many private banks face challenges in delivering consistent and high-quality services to their customers. Issues such as service delays, lack of personalized attention, inadequate grievance redressal mechanisms, and uneven service experiences across branches affect customer satisfaction levels. Lower customer satisfaction can lead to reduced loyalty, higher customer switching, and negative perceptions, which ultimately hinder sustainable development. Moreover, while private banks increasingly emphasize sustainable development through green banking, financial inclusion, and responsible lending, the effectiveness of these initiatives largely depends on customers' acceptance and satisfaction with banking services. There is a lack of comprehensive understanding of how service quality dimensions influence customer satisfaction and how both factors collectively contribute to sustainable development

in private banks. Therefore, this study seeks to examine the relationship between service quality, customer satisfaction, and sustainable development to identify gaps and provide insights for improving sustainable banking practices.

Research Objectives

- To study the service quality of private banks.
- To understand the level of customer satisfaction in private banks.
- To examine how service quality and customer satisfaction support sustainable development in private banks.
- To give suggestions to improve service quality for better customer satisfaction and sustainability.

Review of Literature

Islam et al. (2020) Islam et al. found that service quality dimensions such as responsiveness, reliability, and employee commitment have a significant positive impact on customer satisfaction in private banks. Higher

customer satisfaction leads to customer loyalty, which supports long-term sustainability.

Dahiya and Chauhan (2020) Dahiya and Chauhan observed that private banks offering better personalized services and faster transactions achieve higher customer satisfaction levels. The study highlighted that satisfied customer contribute to sustainable growth of banks.

Karim (2021) Karim examined private banking services and concluded that service quality strongly influences customer satisfaction, which in turn enhances customer loyalty and long-term performance of banks.

Kaur and Kashyap (2021) Kaur and Kashyap identified a positive relationship between service quality factors such as tangibility, assurance, and empathy and customer satisfaction in private banks, helping banks maintain sustainable customer relationships.

Iqbal et al. (2021) Iqbal et al. emphasized that technology-based service quality improves customer satisfaction and loyalty. The study

suggested that digital service quality plays an important role in sustainable competitive advantage of banks.

Mjaku (2020) Mjaku highlighted that improved service quality leads to higher customer satisfaction and trust in banking services, which are essential for sustainable development in the banking sector.

Safitri and Lestari (2023) Safitri and Lestari found that service quality significantly affects customer satisfaction and customer engagement in private banks, which strengthens long-term customer retention and sustainability.

Sutrisno and Lazuardy (2024) Sutrisno and Lazuardy concluded that service quality and perceived value positively influence customer satisfaction, supporting sustainable growth strategies in private and digital banks.

Nafees (2024) Nafees revealed that higher service quality improves customer satisfaction in private banks and reduces customer complaints, contributing to stable and sustainable banking operations.

Anitha and Hemanathan (2024) Anitha and Hemanathan observed that reliability, assurance, and empathy are major service quality factors influencing customer satisfaction, which is essential for sustainable development of private.

Methodology

The present study is descriptive and analytical in nature and is conducted in Tirunelveli District. The study focuses on analysing the impact of service quality and customer satisfaction on sustainable development in private banks. Both primary and secondary data are used for the study. Primary data are collected through a structured questionnaire from customers of selected private sector banks in Tirunelveli District. The questionnaire includes questions related to service quality dimensions, customer satisfaction, and sustainable banking practices.

Secondary data are collected from books, journals, research articles, bank reports, and official websites. A convenience sampling method is adopted, and the sample size of the

study is 100 respondents. Table, Chart and Percentage analyse have been used for final interpretation of data. The results of the study help to

understand the role of service quality and customer satisfaction in promoting sustainable development in private banks in Tirunelveli District.

Analysis and Interpretation

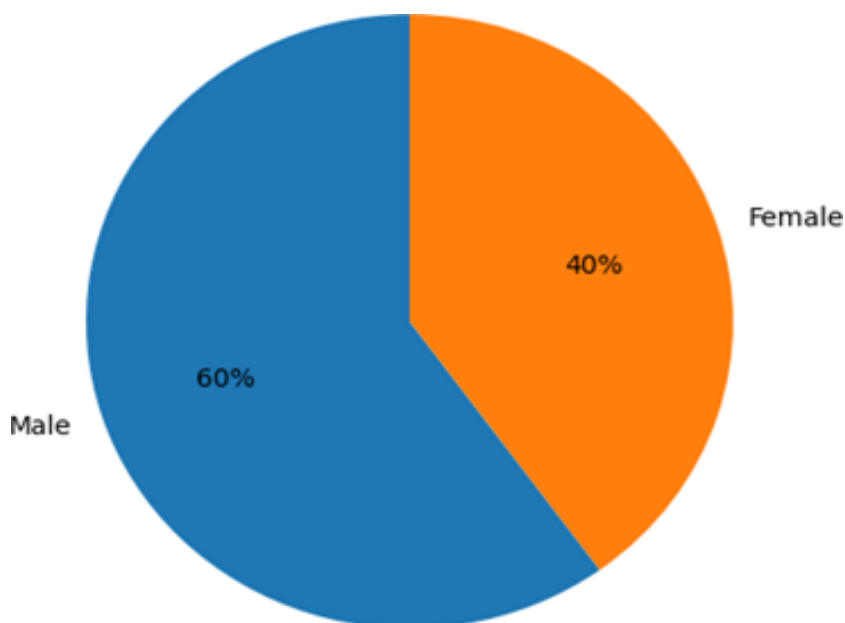


Fig 1. Categorization of Customer Based on their Gender

The above table shows the gender-wise distribution of respondents in the study conducted in Tirunelveli District. Out of 100 respondents, 60 respondents (60%) are male and 40 respondents (40%) are female. This indicates that male respondents constitute a higher proportion of the

sample compared to female respondents. However, the participation of female respondents is also significant, which helps in obtaining balanced opinions regarding service quality, customer satisfaction, and sustainable development in private banks.

Table 1. Categorization of Customer Based on their Occupation

Occupation	Number of Respondents	Percentage (%)
Salaried Employees	40	40%
Business	25	25%
Professionals	15	15%
Students	10	10%
Others	10	10%
Total	100	100%

The above analysis shows that salaried employees form the largest group of respondents (40%), followed by business people (25%). Professionals account for 15%, while students and others contribute 10% each. This indicates that private bank services are

widely used by salaried and business customers in Tirunelveli District, whose satisfaction and service quality perceptions are important for sustainable development in private banks.

Table 2. Categorization of Service Quality-Based on Customer

Service Quality Dimension	Number of Respondents	Percentage (%)
Reliability	30	30%
Responsiveness	25	25%
Assurance	20	20%
Empathy	15	15%
Tangibility	10	10%
Total	100	100%

The analysis shows that reliability (30%) is the most important service quality dimension perceived by customers, followed by responsiveness (25%) and assurance (20%). Empathy accounts for 15%, while tangibility represents 10%. This indicates that

customers in Tirunelveli District give higher importance to dependable and prompt banking services, which play a significant role in customer satisfaction and sustain able development in private banks.

Table 3. Categorization of -Based on Customer Satisfaction

Level of Satisfaction	No. of Respondents	Percentage (%)
Highly Satisfied	32	32%
Satisfied	38	38%
Neutral	18	18%
Dissatisfied	8	8%
Highly Dissatisfied	4	4%
Total	100	100%

Customer Satisfaction Level of Private Bank Customers

It is observed that 38% of customers are satisfied and 32% are highly satisfied, together accounting for 70% of the total respondents, indicating a high level of satisfaction with service quality. 18% of customers are neutral,

showing moderate satisfaction. However, 8% are dissatisfied and 4% are highly dissatisfied, which highlights the need for improvement in certain service areas. Overall, the pie chart clearly indicates that service quality in private banks positively influences customer satisfaction, which

supports the sustainable development of private banks.

Table 4. Categorization Relationship between Service Quality and Customer Satisfaction

Opinion on Relationship	No. of Respondents	Percentage (%)
Strong Relationship	45	45%
Moderate Relationship	30	30%
Neutral	15	15%
Weak Relationship	10	10%
Total	100	100%

It is observed that 45% of the respondents strongly agree that service quality has a strong relationship with customer satisfaction, while 30% agree that there is a moderate relationship. Together, 75% of the respondents believe that service quality significantly influences customer satisfaction.

About 15% of respondents are neutral, indicating uncertainty or mixed experiences. Only 10% feel that the relationship is weak, which is a relatively small proportion. The analysis clearly indicates that service

quality plays a major role in enhancing customer satisfaction, which is essential for customer retention and sustainable development of private banks

Suggestion and Recommendation

The study reveals that service quality has a significant impact on customer satisfaction in private banks in Tirunelveli District. Among the service quality dimensions, reliability and responsiveness are found to be the most important factors influencing customer satisfaction. The majority of respondents are salaried employees and business people, indicating that

these groups rely heavily on private banking services. Gender-wise analysis shows balanced participation from both male and female customers. The findings also indicate that higher customer satisfaction leads to increased trust, loyalty, and long-term relationships, which support sustainable development in private banks. Customers are more willing to adopt digital and sustainable banking practices when they are satisfied with service quality.

Private banks should focus on improving service reliability and quick

response to customer needs. Training programs should be conducted to enhance employees' service skills and customer-handling abilities. Banks should strengthen grievance redressal systems to improve customer satisfaction. Promoting digital banking and green banking initiatives can further support sustainable development. Regular customer feedback should be collected to continuously improve service quality and ensure long-term sustainability.

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