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## An Analysis of Service Quality and Customer Satisfaction of the Sri Lankan Village Banks (Based on Walgama Sanasa Society-Athurugiriya)

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### ABSTRACT

This study analyzes customer satisfaction and service quality relating to the village banks in Sri Lanka. This Research is based on Walgama Sanasa bank society in Colombo district. This survey considers the 50 customers of the Sanasa bank using random sampling. Respondents had to answer 25 questions with a five Likert scale where (1=strongly disagree, 2= Disagree, 3=Neutral, 4 = Agree, 5= strongly agree). Primary data were collected using a face-to-face interview using a comprehensive questionnaire. As a research model, descriptive statistics was used to present the results of the data. SPSS and MS Excel were used to analyze the collected data. The research has shown that Sanasa bank customers are highly satisfied with the services offered by the bank.

### INTRODUCTION

Sri Lankan society consists of 70% of the village community but these people don't have adequate financial facilities. To get financial facilities, they have to go to the nearest town, with many inconveniences. The relevant authorities have not taken any action in recent years to remove these obstacles, hence several kinds of organizations such as Sanasa Society (Thrift and Credit Co-operative Societies), Cooperative Society, Divinaguma Prajamula Bank, Sarvodaya Society and Agrarian Bank are actively involved in fulfilling the village community financial needs in Sri Lanka. These institutions are involved with the rural area financing and community development under the government regulations and those institutes conduct village banking systems to improve the savings, financial intermediation for their members. Sri Lankan standard financial system rejects many a village based poor community considering the non-prime basis. This basis considers the same criteria for every social and economic strata of the people. Due to this drawback, most of people escape from the standard financial system. Due to this reason, the above mentioned institutions have become frontlines of the financial needs for Sri Lankan village based community. Due to this, those institutions raised considerable financial service facilitating share of the economy of the country contributing to the national economy. Among those microfinance institutions, Sanasa Society or Thrift and Credit Co-operative Societies are remarkably contributing to the economy in the society of Sri Lanka. Sanasa consists of about 4000 village banks in the country. Walgama Sanasa bank is one part of the Sanasa society which provides the financial services for their members. Sanasa is the most famous microfinance bank in the country because it helps their members and they have 0.8 market share of finance market in

Sri Lanka. Sanasa has 20% of memberships out of the total population of the country. Quality service of the Sanasa is the main cause of this engagement of the new members and existing members. This research evaluates the customer satisfaction and service quality using the survey details of the Walgama Sanasa at Athurugiriya.

### Research Question

Is there a relationship between the customer satisfaction and service quality of Village Banks in Sri Lanka?

### Objectives

The main objective of this study is to analyze the relationship between customer satisfaction and service quality. Apart from the main objective, this research focuses on the following secondary objectives.

To find out the customer involvement of the Sanasa Societies.

The second objective is to examine the relationships between service quality, consumer satisfaction, and purchase intentions.

### LITERATURE REVIEW

Customer satisfaction and service quality are the today's main topics due to the market competition. Customer satisfaction is a main factor of the emergence of the future purchase intention of the customer (Taylor & Baker, 1994). The satisfied customer makes another purchase decision, and if the customer is dissatisfied, the future business will be affected, and the customers will spread the bad news and comments about the organization. Then others also reject the product and services of the organization and this makes an adverse effect for the future businesses, because today social media and other electronic media have become more

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influential to the society and they are mostly trying to spread the myths and bad news and that affects the market share and future business opportunities. Due to this, measuring the customer satisfaction will uplift and upgrade the reputation of the bank and it increases the awareness of the customer requirements, and reduce the customer sapping (Muffato & Panizzolo, 1995). Today every type businesses is engaged to measure the customer satisfaction by different ways. Banking businesses are frontlines of measuring the customer satisfaction because banking business relates to the service providing business for the customers. Hence, bankers have to associate with the customers every time. This causes more customer queries and they have to evaluate the customer satisfaction on every occasion. By measuring the customer satisfaction, bank is able to improve the quality of the service, new customer engagement, in holding the existing customer retention and leads to more positive outcomes. When the service quality improves, customer satisfaction also increases and this causes to increase retention, creation of new customers (Adil, 2013). Good relationship with the customer improves the customer tolerance and word of mouth benefits (Newman, 2001). Improvement of the customer quality creates more opportunities for the bank because satisfied customers prefer to buy the service or product for long term and it creates to increase retention rate, moreover this would be more beneficial to the business. The most important thing here is the word of mouth which is a more important publicity method because this method creates a more reliable bond with customer and the bank. Word of mouth builds up the strength of the bonds with the customer and the bank and this bond is the most reliable bond than other marketing campaigns. Being a more important factor, customer satisfaction is becoming a goal of a business, because it can create or damage the business or it can harm every aspect of the business for a long term. Customer satisfaction is becoming a goal of companies because they make every effort to deliver the best products and services for the consumers (Bitner & Hubbert, 1994). Service quality is also one of the main concerns of the business because it is a frontline requirement of every kind of businesses. Service quality directly affects on the customer satisfaction of the business because every customer is concerned with the high quality service of the bank. Customer satisfaction is increasingly becoming a corporate goal as organizations strive for quality in their products and services (Bitner & Hubbert, 1994). Growth of the business and organization depends on the satisfied customers because it creates the new business opportunities as well as cross selling to the bank. Service quality and the customer satisfaction are both sides of the same mirror because they are interrelated concepts in a customer service management. Hence service quality is also the most prominent element to the good customer service. It is the service quality that appears to be the causal antecedent of customer satisfaction. (Anderson & Sulivan, 1993) service quality

of the company enhances the business growth, goodwill and income for the particular time because satisfied customers create the invaluable marketing campaign to the business using the word of mouth. Word of mouth campaigns are more solid than other communication methods and it can build or destruct the business forever and this is created by the customer and no one is able to create the word of mouth campaigns other than the satisfied customers and the word of mouth campaigns are created by the service quality of the business. With the improvement of service quality, customer satisfaction increases and it leads to the behavioral outcomes such as commitment, reducing the rate of customer leaving, mutually rewarding relationship (Goode & Moutinho, 1995). When the service quality improves, it creates the different kinds of financial and non-financial benefits to the business such as business growth, high profit and growth of the goodwill. No prior research has attempted to explore the customer satisfaction and service quality. Due to this, measuring customer satisfaction and service quality is expected to grow the bank's reputation and image, increase attention to customer needs, and reduce customer attrition (Muffato & Panizzolo, 1995).

## METHODOLOGY

This research paper is based on a quantitative method and focuses on the customer satisfaction and service quality of the Sri Lankan village banks (Considering the Sanasa Society Walgama). Data was obtained from Walgama Sanasa society members who have savings accounts and obtained Personal Loans. Those members are employed as Private sector, government, small and medium entrepreneurs or farmers. The data requirement of this research was obtained for primary data source using a structured questionnaire using 50 participants. The questionnaire consisted of 6 parts with the 10 demographic questions. It comprises 25 quantitative questions. To measure the relative performance of the respondents, they were asked to rate questions on a five Likert scale where (1=strongly disagree, 2= Disagree, 3=Neutral, 4= Agree, 5= strongly agree). Random sampling method was employed to select the sample. SPSS and Microsoft Excel were used to data presentation and analysis.

## RESULTS AND DISCUSSIONS

This chapter consists of a descriptive analysis of the study. As the first step, Univariate analysis was performed to demonstrate the composition of the sample by different characteristics of respondents. In bivariate analysis, two way tables were used to demonstrate the association between two variables.

### Univariate Analysis

#### Composition of Sample by Factors Related to Demography and Finance

Table 1 shows the composition of the sample by the factors; gender of the person, education, and religion,

and ethnicity, age of the person, monthly expenditure and transaction time. According to Table 1, about 53% of the sample consisted of females. Majority of the persons have studied up to

**Table 1:** Composition of the sample by demographic and financial factors

Variable	Category	Count	Percentage (%)	95% Confidence Interval for Percentage	
				Lower limit	Upper limit
Gender	Female	26	53.06	38.72	66.91
	Male	24	46.94	33.09	61.28
Education	Primary	4	6.12	1.91	17.95
	Secondary	15	30.61	19.03	45.30
	Diploma	25	51.02	36.83	65.05
	Degree	6	12.24	5.44	25.27
Religion	Buddhism	37	75.51	61.09	85.83
	Catholic	5	8.16	2.99	20.42
	Other	8	16.33	8.17	29.97
Ethnicity	Sinhala	46	93.88	82.05	98.09
	Tamil	3	4.08	0.97	15.57
	Other	1	2.04	0.27	13.96
Age	11-20	4	6.12	1.91	17.95
	21-30	14	28.57	17.38	43.20
	31-40	10	20.41	11.10	34.50
	41-50	2	4.08	0.97	15.57
	51-60	13	26.53	15.76	41.07
	60+	7	14.29	6.78	27.64
Monthly expenditure	>100,000	45	91.84	79.58	97.01
	500,000 to 1000,000	2	2.04	0.27	13.96
	<1000,000	3	6.12	1.91	17.95
Transaction time	>1 year	5	10.20	4.17	22.86
	1-2 Years	3	4.08	0.97	15.57
	3-4 years	11	22.45	12.62	36.72
	<5 Years	31	63.27	48.54	75.87

Source: Survey Data

diploma level whereas the least number of persons have studied up to primary. The highest percentage of the sample consisted of Sinhala Buddhists and also about 29% of the sample consisted of persons whose ages were between 21 and 30 years. Monthly expenditure of about 92% of the sample was less than Rs.100, 000. About 63% of the sample consisted of persons who have transacted with the Sanasa bank for more than 5 years.

**Satisfaction with Customer Service**

Table 2 shows the frequency distribution of customer's satisfaction with the different factors related to the customer service of the Sanasa bank.

According to Table 2, the majority of the sample are highly satisfied about showing friendliness to the customers by the bank and identifying problems to help customers. Here, Sanasa bank customers are highly satisfied with

**Table 2:** Satisfaction with customer service

Variable	Category	Count	Percentage (%)	95% Confidence Interval for Percentage	
				Lower limit	Upper limit
Friendliness	Highly Satisfied	46	91.84	79.58	97.01
	Neutral	2	4.08	0.97	15.57
	Satisfied	2	4.08	0.97	15.57
Identifying problems	Highly Satisfied	46	91.84	79.58	97.01
	Neutral	1	2.04	0.27	13.96
	Satisfied	3	6.12	1.91	17.95
Problem notification method	Highly Satisfied	40	79.59	65.50	88.90
	Satisfied	10	20.41	11.10	34.50

Good communication	Highly Satisfied	40	81.63	67.75	90.39
	Satisfied	10	18.37	9.61	32.25
Good record maintenance	Dissatisfied	3	4.08	0.97	15.57
	Highly Satisfied	43	87.76	74.73	94.56
	Satisfied	4	8.16	2.99	20.42
Awareness of services	Highly Satisfied	44	89.80	77.14	95.83
	Satisfied	6	10.20	4.17	22.86

Source: Survey Data

the Sanasa bank customer services such as problem notification method, good communication, good record maintenance and awareness of services.

**Bivariate Analysis**

**Age and Gender of the Person**

Table 3 shows that the sample consisted of the majority of females whose ages were between 21 and 30 years.

**Table 3:** Gender of the person by age

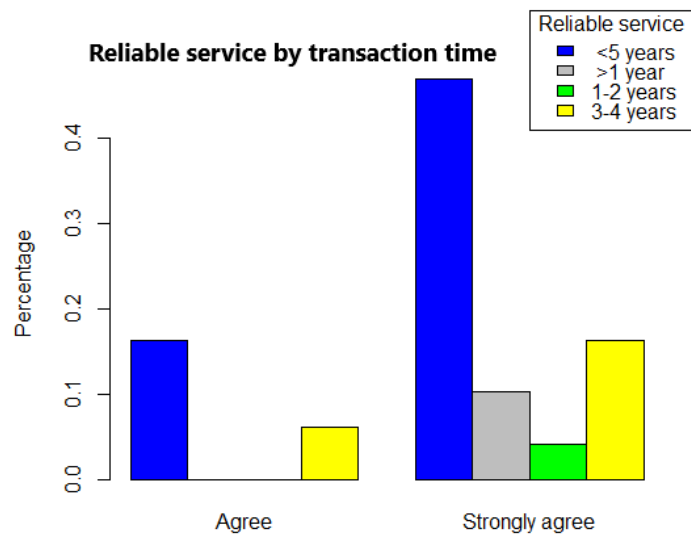
Gender	Age					
	11-20 %	21-30 %	31-40 %	41-50 %	51-60 %	60+ %
Female	0	38.4	23.0	3.84	23.0	11.5
Male	13.0	17.3	17.3	4.3	30.4	17.4

Source: Survey Data

**Reliable Service by Transaction Time**

According to Figure 1, the majority of people who have

transacted with the Sanasa bank for more than 5 years strongly agreed that the bank provides a reliable service to customers.



**Figure 1:** Reliable Service by Transaction Time

Source: Survey Data

**CONCLUSION**

This research reviewed and summarized the previous research carried out by several researchers and academics covering service quality and customer satisfaction relating to the village banks. The literature review helps design the research questionnaire and other parts of the research. According to the chosen methodology, research was carried out to measure the service quality and customer satisfaction of the village bank customers. According to the result of the research, customers have shown their high degree of satisfaction about showing friendliness

to them by the bank and identifying their problems to help the customers. Moreover, customers strongly agreed that the bank provides a reliable service. Here author suggests that there should be a government intervention to develop the village banking system because village based customers need more financial requirements and they have willingness to deal with the village banks. Apart from that, village banks supply good solutions for the micro finance issue in Sri Lanka because general public is able to get customer friendly service and affordable interest rates from the village banks.

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