Impact of Service Quality on Customer Satisfaction in Urban Cooperative Banks: An Empirical Study

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***Abstract*—Urban Cooperative Banks (UCBs) constitute an important sector of the Indian banking system by offering financial services to middle-income groups, small traders, salaried employees, and local entrepreneurs. In the present banking environment, characterized by technological innovation and increased competition, client happiness has emerged as a major predictor of institutional viability and growth. Service quality plays a major role in influencing client views, loyalty, and trust toward banking organizations. The present study explores the impact of service quality on customer satisfaction in selected Urban Cooperative Banks. The study is based on the SERVQUAL dimensions, namely tangibility, reliability, responsiveness, assurance, and empathy. Primary data were acquired from customers of chosen UCBs through a standardized questionnaire. The study employs descriptive and analytical methodologies to measure customer views regarding banking services. The data demonstrate that reliable service delivery, timely response to client requests, and pleasant employee behavior greatly contribute to customer satisfaction. The study suggests that improvement in service quality characteristics can boost customer confidence and enhance the competitive position of Urban Cooperative Banks in the growing financial industry.**

***Index Terms*—Urban Cooperative Banks, Service Quality, Customer Satisfaction, SERVQUAL, Cooperative Banking, Banking Performance**

I. INTRODUCTION

The banking industry has a vital position in the economic development of a nation by mobilizing savings, encouraging investment, and fostering financial inclusion. In India, cooperative banking institutions have historically played an essential role in delivering financial services to economically poorer groups and underserved populations. Urban Cooperative Banks (UCBs), functioning predominantly in urban and semi-urban locations, have contributed greatly toward addressing the banking requirements of small enterprises, traders, salaried persons, and middle-class customers.

The changing dynamics of the banking business, however, have intensified the demand on Urban Cooperative Banks to improve the quality of services given to consumers. Liberalization, globalization, and technology developments have modified client expectations in the banking business. Customers today demand efficient, transparent, technology-driven, and customer-friendly services. In this highly competitive market, service quality has emerged as one of the most critical variables affecting customer happiness and organizational effectiveness.

Customer satisfaction in the banking sector is highly based on the quality of interactions between bank staff and customers, the reliability of services, promptness in service delivery, availability of modern banking facilities, and the entire banking experience. Urban Cooperative Banks, despite their strong local presence and customized approach, sometimes encounter obstacles such as limited technology infrastructure, inadequate professional management, and resource limits. These constraints may significantly affect the quality of services and, consequently, consumer satisfaction levels.

Service quality is commonly regarded as the extent to which a service meets or exceeds client expectations. Parasuraman, Zeithaml, and Berry (1988) conceived service quality using the SERVQUAL model, which contains five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. These dimensions have been extensively employed in banking research to quantify consumer perceptions related service quality.

In the context of Urban Cooperative Banks, service quality assumes increased importance because these institutions rely primarily on consumer trust and long-term connections. Unlike huge commercial banks, UCBs generally maintain closer contacts with consumers, which can represent a major competitive advantage if supported by effective service delivery. Therefore, knowing the impact of service quality on customer satisfaction becomes vital for enhancing operational effectiveness and sustaining institutional growth.

The present study seeks to explore the relationship between service quality and customer satisfaction in selected Urban Cooperative Banks. The study focuses on analyzing how different elements of service quality influence customer perceptions and satisfaction levels in cooperative banking institutions.

II. REVIEW OF LITERATURE

Service quality has been acknowledged as a crucial predictor of consumer satisfaction in service-oriented sectors, particularly in the banking sector. Researchers across the world have underlined that outstanding service quality promotes customer loyalty, trust, and long-term organizational viability.

Parasuraman, Zeithaml, and Berry (1988) established the SERVQUAL model to measure customer perceptions of service quality. According to their concept, service quality is judged through five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. The study revealed that customer happiness depended mainly on the difference between consumer expectations and perceived service performance.

Cronin and Taylor (1992) suggested that service performance directly effects customer satisfaction and corporate effectiveness. Their findings suggested that actual service delivery has a more crucial role than consumer expectations in determining satisfaction levels.

Sureshchandar, Rajendran, and Anantharaman (2002) observed that reliability and responsiveness are the most influential variables determining consumer satisfaction in banking organizations. Customers want banks to provide timely services, error-free transactions, and effective complaints management procedures.

Jain and Gupta (2004) evaluated service quality measurement in financial organizations and concluded that customer-oriented service methods contribute significantly to client retention. The study indicated that cooperative banks need to focus more on human ties and employee behavior to boost customer satisfaction.

Kumar and Bhat (2011) researched customer views regarding service quality in cooperative banks and concluded that technology-enabled banking services such as internet banking, ATM facilities, and mobile banking favorably influence customer satisfaction. The report stressed the need for modernization in cooperative banking operations.

Rao (2015) analyzed customer satisfaction in Urban Cooperative Banks and concluded that personalized services and trust-based relationships remain important strengths of cooperative banking institutions. However, the survey also revealed that delays in service delivery and lack of digital infrastructure severely effect customer perceptions.

Patel and Desai (2018) reported that customer satisfaction in UCBs is greatly influenced by staff responsiveness, transparency, and service reliability. The researchers proposed that cooperative banks should increase employee training programs and customer relationship management techniques.

Sharma and Singh (2020) emphasized the growing importance of digital transformation in cooperative banking institutions. Their analysis found that clients increasingly choose banks offering rapid and technology-driven services while keeping personal touch and trust.

The extant literature indicates that service quality has a major influence on customer satisfaction in banking organizations. However, minimal research have specifically focused on Urban Cooperative Banks in the Indian setting. Therefore, the present study seeks to contribute to the literature by investigating the impact of service quality on customer satisfaction in selected UCBs.

III. STATEMENT OF THE PROBLEM

Urban Cooperative Banks are functioning in a highly competitive banking market where customers have several alternatives for financial services. The development of private sector banks and internet banking platforms has drastically modified client expectations about service efficiency, transparency, and technical comfort. Although Urban Cooperative Banks possess the advantage of direct customer relationships and community-based operations, many institutions confront operational and technological limitations that impair service quality.

Poor service quality may result in consumer discontent, decreased trust, and reduced competitiveness. Therefore, there is a need to evaluate how service quality effects customer satisfaction in Urban Cooperative Banks and identify areas requiring improvement.

IV. OBJECTIVE OF THE STUDY

The objective of the study is to examine the impact of service quality on customer satisfaction in selected Urban Cooperative Banks.

V. HYPOTHESIS OF THE STUDY

H_0: Service quality has no significant impact on customer satisfaction in Urban Cooperative Banks.

H_1: Service quality has a significant impact on customer satisfaction in Urban Cooperative Banks.

VI. RESEARCH METHODOLOGY

The study was descriptive and analytical in nature. Both primary and secondary data sources were utilized for the purpose of analysis. Primary data were acquired from consumers of chosen Urban Cooperative Banks through a structured questionnaire built on the basis of SERVQUAL aspects. Secondary data were acquired from journals, books, yearly reports, research articles, Reserve Bank of India publications, and official banking reports.

A sample of 120 respondents was collected using convenience sampling procedures. Customers visiting chosen Urban Cooperative Banks during the time of study were approached for data collection. The acquired data were examined using percentage analysis, mean score analysis, correlation analysis, and regression techniques to assess the relationship between service quality and customer satisfaction.

VII. DATA ANALYSIS AND INTERPRETATION

Table 1: Demographic Profile of Respondents

Variables	Categories	Frequency	Percentage
Gender	Male	72	60.0
	Female	48	40.0
Age	Below 30 Years	28	23.3
	31–45 Years	52	43.3
	Above 45 Years	40	33.4
Occupation	Business	46	38.3
	Salaried	42	35.0
	Others	32	26.7

Source: Primary Data

The demographic study suggests that a majority of respondents are male customers belonging to the age group of 31–45 years. Businesspersons form the largest occupational category among respondents, highlighting the importance of Urban Cooperative Banks for local business communities and self-employed individuals.

Table 2: Mean Scores of Service Quality Dimensions

Service Quality Dimension	Mean Score
Tangibility	3.74
Reliability	4.21
Responsiveness	4.08
Assurance	3.96
Empathy	3.89

Source: Computed from Primary Data

The mean score analysis suggests that reliability obtained the greatest score across all service quality dimensions. Customers significantly value accurate transactions, dependable services, and consistency in banking operations. Responsiveness also received a high score, demonstrating that swift attention and quick problem resolution greatly influence customer happiness.

Table 3: Relationship between Service Quality and Customer Satisfaction

Variables	Correlation Coefficient (r)
Service Quality and Customer Satisfaction	0.84

Source: Computed from Primary Data

The correlation coefficient of 0.84 reveals a strong positive association between service quality and client satisfaction. This result demonstrates that changes in service quality parameters favorably effect customer perceptions and satisfaction levels in Urban Cooperative Banks.

VIII. FINDINGS OF THE STUDY

The study demonstrates that service quality strongly influences customer satisfaction in Urban Cooperative Banks. Reliability appeared as the most influential aspect determining customer perceptions, followed by responsiveness and assurance. Customers expect precise transactions, timely service delivery, pleasant personnel behavior, and transparent communication from banking institutions.

The data also reveal that clients increasingly prefer banks delivering technology-enabled services such as online banking and mobile banking facilities. Personalized attention and trust-based relationships continue to remain essential strengths of Urban Cooperative Banks. However, delays in service delivery and weak technological infrastructure may significantly effect customer satisfaction levels.

IX. SUGGESTIONS

Urban Cooperative Banks should focus on enhancing service reliability and responsiveness to boost customer satisfaction. Investment in modern banking technology such as digital banking platforms, mobile banking applications, and automated customer care systems can improve operational efficiency and client convenience.

Employee training programs should be increased to boost communication skills, client handling capabilities, and service efficiency. Banks should also build adequate grievance redressal systems to resolve client issues immediately. Personalized customer connection tactics can further increase consumer trust and long-term commitment toward cooperative banking organizations.

X. CONCLUSION

Service quality has become a significant aspect affecting customer happiness and organizational performance in the modern banking environment. Urban Cooperative Banks, despite experiencing heavy competition from commercial and private sector banks, continue to play an important role in supporting local communities and small consumers. The study reveals that service quality strongly influences customer satisfaction in selected Urban Cooperative Banks.

Reliability, responsiveness, and assurance appeared as the primary aspects determining client impressions of banking services. Customers increasingly expect quick, technology-driven, and customer-friendly banking experiences while continuing to appreciate personalized attention and trust. Therefore, Urban Cooperative Banks must consistently improve their service quality standards to keep consumer confidence and maintain competitiveness in the growing financial sector.

Improvement in digital banking infrastructure, workforce efficiency, and customer relationship management will help Urban Cooperative Banks increase customer satisfaction and ensure long-term institutional sustainability.

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