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EFFECTS OF SERVICE QUALITY ON SATISFACTION OF BANK USERS
AROUND BANDARAYA MELAKA BY USING SERVQUAL MODEL

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This report is submitted in fulfillment of the requirement for the Bachelor of
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DECLARATION

“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

Signature :

Name :

Date :

DEDICATION

I would like to dedicate the success of the Chapter 1, 2, 3, 4 and 5 of this project report especially to both my parents Che Ani Bin Awang and Normah Binti Man. The hard work and sacrifices that they has made for me to further my studies would not be enough to pay back by just submitting the report but beyond that. Therefore, I am proud and honoured to have them as my parents. Secondly, dedication to all my siblings that has aid me a lot in term of spirit support. Last but not least, to my lecturers whom also as my supervisor for this Final Year Project Report, Dr Yusri Bin Arshad, my panel Pn. Nor Azah Binti Abdul Aziz and also my Projek Sarjana Muda (PSM) friends.

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ABSTRACT

This research examines the Impacts of Service Quality on Satisfaction of Bank Users around Melaka by Using SERVQUAL Model. It aims to investigate the relationship between service quality and bank users satisfaction, to determine the impacts that affecting bank users' satisfaction towards facilities services usage using SERVQUAL Model, and to identify attributes that give the most impact towards bank user satisfaction. To meet the objectives, the theoretical framework has been developed. The method that will be used during survey is using questionnaires that consist of likert scale types of question and the scope of the survey is respondents around bank users at Bandaraya Melaka to collect the quantitative data for analysis. The pilot test will be conduct by having the small group of respondents give an answer on what they understand about the question in the questionnaires. The data from pilot test will be analysed using the SPSS software to calculate the Cronbach's Alpha for its reliability. After that, the real research survey will be conduct by distributing the questionnaires to the respondents and the data will be analysed using the SPSS software to calculate the Cronbach's alpha for its reliability, Pearson product-moment correlation coefficient for measuring the linear-correlation between two variables X and Y, and linear regression for calculating the significant. Discussion will be conduct from the analysis data and recommendation and conclusion will be made out of it.

ABSTRAK

Kajian ini mengkaji Kesan Kualiti Fasiliti Servis di Bank kepada Kepuasan Pengguna sekitar Bandaraya Melaka dengan Menggunakan SERVQUAL Model. Ia bertujuan untuk mengkaji hubungkait antara kualiti perkhidmatan dan kepuasan pengguna bank, untuk menentukan kesan yang mempengaruhi kepuasan pengguna bank terhadap penggunaan kemudahan perkhidmatan menggunakan SERVQUAL Model, dan untuk mengenal pasti sifat-sifat yang memberikan kesan yang paling ke arah kepuasan bank pengguna. Bagi memenuhi matlamat, rangka kerja teori telah dibangunkan. Kaedah yang akan digunakan semasa kajian adalah menggunakan soal selidik yang terdiri daripada jenis skala likert soalan dan skop penyiasatan ini ialah responden di seluruh pengguna bank di Bandaraya Melaka untuk mengumpul data kuantitatif untuk dianalisis. Ujian perintis akan dijalankan dengan mempunyai kumpulan kecil responden memberi jawapan kepada apa yang mereka faham tentang soalan ini dalam soal selidik. Data daripada kajian rintis akan dianalisis menggunakan perisian SPSS untuk mengira Cronbach Alpha untuk kebolehpercayaan. Selepas itu, kajian penyelidikan sebenar akan kelakuan dengan mengedarkan soal selidik kepada responden dan data akan dianalisis dengan menggunakan perisian SPSS untuk mengira alfa Cronbach untuk kebolehpercayaan, yang Pearson produk pekali korelasi momen untuk mengukur linear-korelasi antara dua pembolehubah X dan Y, dan regresi linear untuk mengira ketara. Perbincangan akan dijalankan daripada data analisis dan cadangan dan kesimpulan akan dibuat daripada itu.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

Customer satisfaction is the key to a business (Mustafa et al, 2007) which satisfy the acceptance of a service to be assessed the customer. The discussion in this chapter started from the definition of the problem, question that arises, the objectives to be achieved, the significance of the study, the scope of the study and also the limitations of the study. Service quality is “multidimensional concept” but there exists a disagreement to the possible conceptualization in addition to operationalization (Technology & Technology, 2015).

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations (Lau & Cheung, 2013).

The premise of “service quality” as a tool for gaining competitive advantage and lead in a market-driven system has been well recognized by the financial institutions. However in current highly competitive corporate environment it has become increasingly important to not only become the market leader but also to maintain that top position. Here the key to success is to remain competitive and constantly improve the quality of services to better meet customers' needs, and the key to providing superior services is to clearly understand and appropriately respond to customers' expectations because customers compare perceptions with expectations in judging the quality of a firm's service offerings.

1.1 Background of Study

This study is all about to determine the relationship between the qualities of facility services of bank around Bandaraya Melaka whether meet the bank user's satisfaction or not by using SERVQUAL model. Customer satisfaction is important and issues critical to ensure customer comfort in an organization. Bank users act as a client to the financial institutions have their own needs that must be met by the management of the institution.

The globalization has altered customer behaviour in regards to banking services, and the operating environment for banking industry has become more dynamic and competitive (Lau & Cheung, 2013). The emergent of new forms of banking services such as automated teller machines, internet banking, and phone banking as well as the maturing financial market and global competition accelerate the need for bankers to explore the importance of customer satisfaction.

Customer satisfaction plays an important role in the development of various business organization for example noted that under a good service relationship chain, profitability and growth of a company is a result from customer satisfaction entails the full meeting of customer expectation of the products and services (Kamariah et al., 2013).

1.2 Problem Statement

Facilities are not just limited to physical facilities that are available, but it also involves aspects of service as well (Wilson-fleming & Wilson-younger, 2012). If the qualities of the service facility are not satisfactory, then the satisfaction of bank users would not be achieved and this would indirectly negatively impact on the quality of their life and also productivity (Hishamuddin Mohd Ali, Sept,2005).

The problem with service failure is that it may lead to a destroyed relationship between the customer and the organization. Thus the importance of customer satisfaction in today's dynamic corporate environment is obvious as it greatly influences customer's repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer's intentions to switch (Siddiqi, 2011).

1.3 Research Gap

The researcher doing research about the effect quality of facility services of bank focus on the certain location which is located at Bandaraya Melaka. While the past research make a study of student satisfaction at public and private university at Pakistan (Manzoor, 2013). The researcher also focus more on to the factor that give the most effect towards bank user satisfaction and according (Gersberg, 2007)to assess service quality of outsourced facility maintenance services (FMS) from end-user perspective.

1.4 Research Question

Research questions relates to the nature and factors that affect students perceptions towards quality services of facility that offered by universities. These are questions that construct as follows:

1. What is relationship between service quality and bank users satisfaction?

2. What are the factor affecting bank users' satisfaction towards facilities services usage using SERVQUAL Model?
3. What attributes that give the most effect towards bank satisfaction?

1.5 Research Objective

The aims for this study are:

1. To investigate the relationship between service quality and bank users satisfaction.
2. To determine the impacts that affecting bank users' satisfaction towards facilities services usage using SERVQUAL Model.
3. To identify attributes that give the most effect towards bank user satisfaction.

1.6 Research Scope

The scopes of this project impacts of service quality on satisfaction of bank users around Bandaraya Melaka by using SERVQUAL model based on the objectives and to solve faced problem as much as can. The researcher implement the study by using the method of distribute the questionnaire to the respondent. The scope level of the respondent is bank users around Bandaraya Melaka.

1.7 Research Limitation

The researcher faces some constraints in term of data obtained from the respondents. This is because, the researcher cannot know whether the respondent is being honest and clear in answered the question given. But, the researcher assumes that the respondent given the correct or best answer for each question.

1.8 Significance of Study

1. This study want to research about impacts of service Quality on satisfaction of bank users by using SERVQUAL method whether the quality of facility services that offered fulfill the needs of customers or not.
2. Provide the most attributes of quality services of facility services provided that give impacts to customers satisfaction.

1.9 Structure of Proposal

Chapter 1	From this chapter, it is about the introduction of what the researchers wants to research and study. It is including background of the project, problem statement, research questions, objectives and scope
Chapter 2	From this chapter, the researcher will explain the literature review according to previous research and will shows the theoretical framework that relates with the research objective

Chapter 3	From this chapter, the researcher will explain the method that will be used to be implement the research.
Chapter 4	This chapter elaborates on the various statistical tests and interpretation of the results of the analysis using SPSS. This chapter shows the results obtained from the distributed questionnaires.
Chapter 5	In this chapter, researcher was discussed about the summary and recommendations for this study based on the results that have been presented in the previous chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The previous chapter introduced the problem statement, the research objectives the research that this study attempts to address. In this chapter, researcher provides the whole of the study describing the literature as a main source. This chapter also consists of the relevant statement, and related written sources such as journals, articles and internet sources by a lot of philosophies that support the research in strengthening the argument given. The information will be become additional source for the project in becoming more successful. To have a brief understanding of the researches related to the project, a few literature reviews had been done. It is very important to the researcher to emphasize and assert the topic in order to come up with solid and strong evidence unhesitatingly.

2.2 Definition of terms

The several term used that related with the study such as service quality and customer satisfaction.

2.2.1 Service Quality

Facilities is a facility that can conveyed through the provision of various categories such as space, lamps for lighting, air conditioning with an appropriate temperature, chairs, tables, computers and so on (Zakaria, Arifin, Ahmad, & Aiyub, 2010). The objective is the presence of such assets, the facilities is perfect for the purpose of enabling the delivery of a service. Facilities are something created to complement the comfort and the pleasure of a user.

SERVQUAL is an assessment scale, developed in the 1980s by Valarie Zeithaml, A. Parasuraman, and Leonard Berry that was subsequently refined and renamed the RATER model. This model attempts to measure a customer's perception of standards in the services and identify areas for improvement. Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Fasih, 2014).

At the first stage, Parasuraman and colleagues in 1985 conducted an in-depth study by interviewing the employees of these companies and institutes and also focused interviews with customers of these four sector services and identified the conceptual and analytical model of service providers and customers' expectations gap (Enayati, Modanloo, Behnamfar, & Rezaei, 2013). SERVQUAL is not an acronym, but does include five constructs: reliability, responsiveness, tangibles, trust and security (Fedoroff, 2016). Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Shahin, n.d.).

2.2.2 Customer Satisfaction

Satisfaction is a feeling of happiness and joy that individuals obtain when they have fulfilled their human needs and desires. Educational institutions use certain methodologies to determine the level of their students' satisfaction regarding the

services and programs they offer to better fulfill student needs and satisfy student aspirations (Saif, 2014).

The satisfaction plays a major role in the determining the originality and accuracy of a system especially the educational system as higher the level of satisfaction the higher will be the level of students' grooming their skill development, course knowledge and mentality (Malik, Danish, & Usman, 2010). Students are likely to be satisfied in their educational institution when the service provided fits their expectations, or they will be very satisfied when the service is beyond their expectations, or completely satisfied when they receive more than they expect (Jalal R. M. Hanaysha, 2011).

Customers' expectations and needs is a driving force for managements to provide quality service to current customers as well as to attract new customers. Due to competitiveness in the marketplace, customers' expectations are always elevated and becoming more demanding. SERVQUAL has become a popular area of academic research and has been acknowledged as an observant competitive advantage and supporting satisfying relationships with customers (Aljasser, 2016).

Customer satisfaction facilitates the measure of how service and products provided by company meet customer expectation. It is a key performance indicator in business terms. Typically, service firms monitor and examine the satisfaction level of customers on an ongoing base by using different scales like likert, to measure the level of customer satisfaction which is mainly based on service encounter experienced on their last visit (Qadeer, 2013).

Satisfaction is a function of relative level of expectations and perceives performance. The expectation may go as far as before the customer used the services at certain banks, suggesting that it is important to the researchers to determine first what the users expect before using the services provided (Fitri & Hasan, 2008).

3. The Relationship between Service Quality and Customer Satisfaction

Since Cardozo (1965) proposed that the concept of customer satisfaction was an important marketing activity outcome, numerous researchers have attempted to develop a consensus definition of the construct (Kao, 2007). Satisfaction is a function of relative level of expectations and perceives performance. The expectation may go as far as before the students even enter the higher education, suggesting that it is important to the researchers to determine first what the students expect before entering the university (Fitri & Hasan, 2008).

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Karim, 2014).

Satisfaction ratings go beyond teaching assessments, which have narrow focus, to include broader aspects of the student learning experience. To grasp the complexity of that learning experience, it is not enough to know the degree to which students are satisfied, it is important to understand the factors that contribute to student satisfaction. SERVQUAL instrument is extensively used to assess external service quality. However, the instrument can also be modified to assess the quality of the internal services provided by departments and divisions of a company to its employees in other departments and divisions (Karunaratne, Jayawardena, & Lanka, 2010).

In this era of globalization, competition among educational institutions in the world of education is becoming more stringent. Customer satisfaction has become a part of the goals of most educational institutions today. In addition to obtaining a good achievement and prestige, educational institution should be able to face the increasing competition with the intention of maintaining its viability.

To remain successful, customer satisfaction is really important for the company especially in the service. Advantages of service depend on the uniqueness and quality demonstrated by this service. Customer perception of service quality through evaluation of service benefits is one way to differentiate services with other services that provide services with higher quality than competitors consistently (Saepudin & Marlina, 2013).

Service quality and customer satisfaction are two similar concepts. Zeithaml et al., (1996) pointed out in their research that, service quality equals customer satisfaction to some extent because these two concepts are the comparison between customer's expectations and the actual service they receive. Oliver (2009) defined satisfaction as evaluations that customers give to business transactions.

2.2.4 Reliability

Reliability is ability to perform the promised service dependably and accurately. Reliability is service provider's ability to perform certain service accurately and dependably. This can surely be helpful in terms of retaining customers.

Reliability is when customers are satisfied with the services provided by the bank as promised and handling (speed) of solving the problem. Customers are confident that banks will fulfil the promised terms and conditions which will not go against their (customers) interests. Zim et al. (2010) pointed out that reliability is one of the important factors of customer satisfaction.

2.2.5 Tangible

Tangible is appearance of physical facilities, equipment, personnel, and communication materials. It is also can be referred as the physical representations of services which are used by the students to evaluate quality. Ziethaml & Bitner (2003) defined tangibles as physical appearance of facilities, personnel, communication materials, equipment (Bashir, 2012).