

Service Quality and Customer Satisfaction in Microfinance Institutions in Sri Lanka

RPSN Piyasiri¹, HABW Hettiarachchi², KS Denipitiya³

Abstract

Service quality and customer satisfaction are two interrelated concepts that have received greater attention from scholars throughout the past. Further, service quality and customer satisfaction are key factors in every service industry. This study aims to identify the impact of service quality on customer satisfaction in the microfinance sector. The study tries to investigate and assess the quality-of-service quality of customer satisfaction in microfinance services. As a sample, data were collected from 100 respondents who were customers of a financial sector institutions specially the microfinance institution in Chilaw DS division. The SERVQUAL model is applied to evaluate customer satisfaction, which has five dimensions: tangibles, responsiveness, empathy, assurance, and reliability. A pre-structured questionnaire was used to collect the data based on the conceptual framework including the above dimensions. Structural Equations Modelling Partial Least Squares (PLS) approach was used to establish the measurement validity and reliability before the model has been examined and the hypotheses have been tested. Study results reveal that there is a positive and statistically significant correlation between consumer satisfaction and reliability, tangibility, assurance and empathy dimensions. Further, the findings of this study indicate that the establishment of higher levels of service quality will lead customer to have a high level of satisfaction. So, the findings suggest that bank managers and supervisory authorities should give their special attention to ensuring the satisfaction of customers by providing the service accurately (reliability), improving the physical and staff facilities (Tangibility), ensuring willingness to help and respond customers (Responsiveness), attention to individual service given to the customers (Empathy), and ability to courtesy to bank staff (Assurance) toward customer satisfaction.

Keywords: Customer satisfaction, Microfinance institutions, Service quality

¹ *Department of Economics, Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka, Mihintale; sandunipunika159@gmail.com*

² *Department of Economics, Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka, Mihintale; hettiarachchi@ssh.rjt.ac.lk*

³ *Department of Economics, Faculty of Social Sciences and Humanities, Rajarata University of Sri Lanka, Mihintale; denipitiyaks@gmail.com*