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PERCEIVED SERVICE QUALITY AND CUSTOMER SATISFACTION IN REGIONAL BANKING: EMPIRICAL EVIDENCE FROM ANDIJAN, UZBEKISTAN

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Abstract

Banking institutions in transitional economies increasingly recognize that competitive advantage depends not only on financial products but also on the quality of customer service delivery. This study investigates the relationship between perceived service quality and customer satisfaction within the banking sector of Andijan, Uzbekistan. Using the SERVQUAL framework, the research evaluates five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. Primary data were collected from 150 banking customers through a structured questionnaire employing a five-point Likert scale. The study adopts a quantitative, descriptive-analytical research design. The findings reveal a moderately positive level of customer satisfaction in the regional banking sector. Among the SERVQUAL dimensions, assurance and reliability emerged as the strongest determinants of customer satisfaction, while responsiveness and empathy demonstrated noticeable service gaps. The results indicate that customers place high importance on transaction accuracy, employee competence, and trustworthiness, whereas delays in service delivery and limited personalized attention negatively influence satisfaction levels. The study provides practical recommendations for improving customer-oriented banking services in regional markets and contributes to the limited empirical literature concerning banking service quality in Uzbekistan.

Keywords: Service Quality, Customer Satisfaction, SERVQUAL, Banking Sector, Andijan, Uzbekistan, Financial Services, Customer Experience

1. Introduction

The banking sector occupies a central position in modern economic systems by facilitating financial intermediation, supporting business activity, and promoting economic development. In increasingly competitive banking environments, service quality has become one of the most important determinants of customer retention and institutional success. Unlike manufacturing industries, banking services are largely intangible and depend heavily on customer interaction, trust, and perceived reliability. Consequently, customer satisfaction is strongly influenced by the quality of service encounters.

In recent years, Uzbekistan's banking system has experienced substantial transformation driven by financial liberalization, digitalization, and expansion of private banking institutions. While these reforms have improved access to financial services, they have also intensified competition among banks, particularly in regional markets. As a result, customer service quality has emerged as a critical competitive factor.

Andijan, one of the major economic centers of the Fergana Valley, represents an important regional banking market characterized by the coexistence of state-owned and private commercial banks. Despite the growing significance of customer satisfaction in this environment, empirical research focusing on

service quality perceptions in Andijan remains limited.

This study seeks to examine the relationship between perceived service quality and customer satisfaction in regional banking institutions operating in Andijan. By applying the SERVQUAL framework, the research identifies the dimensions of service quality that most strongly influence customer satisfaction and highlights areas requiring managerial improvement.

2. Literature Review

2.1 Service Quality in Banking

Service quality refers to customers' evaluation of the overall excellence and effectiveness of service delivery. Parasuraman, Zeithaml, and Berry (1985) conceptualized service quality as the gap between customer expectations and perceived performance. Their SERVQUAL model identifies five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy.

Tangibility relates to physical facilities, equipment, and employee appearance. Reliability reflects the ability to provide accurate and dependable services. Responsiveness measures promptness and willingness to assist customers. Assurance concerns employee competence, courtesy, and ability to inspire trust. Empathy refers to individualized attention and customer care.

The SERVQUAL framework has been widely applied in banking research due to the highly interactive nature of financial services. Lovelock and Wirtz (2016) argue that banking customers evaluate service quality primarily through trust and reliability because financial transactions involve substantial perceived risk.

2.2 Customer Satisfaction in Financial Services

Customer satisfaction is commonly defined as the degree to which actual service performance meets or exceeds customer expectations (Kotler & Keller, 2016). In banking, customer satisfaction contributes directly to customer loyalty, positive word-of-mouth communication, and long-term profitability.

Schiffman and Wisenblit (2015) emphasize that dissatisfied banking customers are more likely to terminate relationships with institutions due to the availability of alternative service providers. Consequently, maintaining high service quality standards is essential for sustaining customer relationships.

Recent studies have also highlighted the growing influence of digital banking services on customer satisfaction. Li (2021) found that security, responsiveness, and technological reliability significantly influence customer perceptions in modern banking systems.

2.3 Banking Service Quality in Transitional Economies

Research in transitional economies demonstrates that institutional trust and administrative efficiency strongly affect customer satisfaction in banking sectors characterized by economic transformation. Sparkassenstiftung (2022) reported that trust in financial institutions in Uzbekistan remains lower than in many developed markets, increasing the importance of assurance and reliability dimensions.

Although banking reforms in Uzbekistan have accelerated in recent years, academic literature concerning regional customer satisfaction remains limited. Most existing studies focus on national banking performance rather than customer perceptions at the regional level. This research contributes to addressing this gap.

3. Research Methodology

3.1 Research Design

The study employs a quantitative, descriptive-analytical research design. This approach allows systematic evaluation of customer perceptions regarding service quality dimensions and their influence on customer satisfaction.

3.2 Population and Sample

The target population consists of individuals using banking services in Andijan. Convenience sampling was applied due to accessibility considerations. A total of 150 valid responses were collected from customers visiting commercial bank branches across the city.

3.3 Data Collection

Primary data were collected using a structured questionnaire based on the SERVQUAL model. The questionnaire consisted of demographic questions and 22 SERVQUAL items measured using a five-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree." Additional items measured overall customer satisfaction.

Secondary data were obtained from academic journals, textbooks, banking reports, and publications from the Central Bank of Uzbekistan.

3.4 Data Analysis Techniques

The collected data were analyzed using descriptive statistical techniques, including frequencies, percentages, mean scores, and comparative analysis. SERVQUAL dimension scores were compared to identify strengths and weaknesses in banking service delivery.

4. Findings and Analysis

4.1 Demographic Profile of Respondents

The respondent profile demonstrates a relatively balanced demographic distribution.

Table 1. Demographic Profile of Respondents (n = 150)

Characteristic	Category	Frequency	Percentage
Gender	Male	83	55.3%
	Female	67	44.7%
Age Group	18–25 years	40	26.7%
	26–35 years	57	38.0%
	36–45 years	33	22.0%
	46 years and above	20	13.3%
Education	Secondary	47	31.3%
	Undergraduate	72	48.0%
	Postgraduate	31	20.7%

Interpretation: The majority of respondents belonged to the economically active 26–35 age group and possessed undergraduate-level education. This indicates that the sample primarily reflects active banking users in the regional market.

4.2 SERVQUAL Dimension Analysis

The SERVQUAL dimensions were evaluated using mean-score analysis.

Table 2. SERVQUAL Dimension Analysis

Dimension	Mean Score	Standard Deviation	Qualitative Rating
Assurance	3.76	0.61	Positive
Reliability	3.71	0.59	Positive
Tangibility	3.52	0.72	Positive
Responsiveness	3.21	0.78	Moderate
Empathy	3.18	0.81	Moderate
Overall Satisfaction	3.48	0.69	Moderate–Positive

Interpretation: Assurance achieved the highest score, indicating that customers generally trust bank employees and feel confident regarding transaction security and professional competence. Reliability also received a strong evaluation, demonstrating customer satisfaction with transaction accuracy and service consistency.

Tangibility produced a moderately positive result, suggesting that physical infrastructure and employee appearance meet basic customer expectations. However, responsiveness and empathy received comparatively lower scores, indicating weaknesses in waiting time management, prompt assistance, and personalized customer interaction.

4.3 Customer Satisfaction Analysis

Overall customer satisfaction achieved a mean score of 3.48, reflecting moderate-to-positive satisfaction levels among respondents.

Approximately 62% of customers reported being satisfied or highly satisfied with banking services,

while 22% expressed neutral opinions and 16% indicated dissatisfaction.

The findings suggest that assurance and reliability are the strongest predictors of customer satisfaction in Andijan's banking sector. Customers highly value trustworthiness, accuracy, and security in financial transactions. Conversely, insufficient personalized attention and delays in service delivery reduce customer satisfaction levels.

4.4 Hypothesis Evaluation

Table 3 summarizes the directional evaluation of the research hypotheses.

Table 3. Hypothesis Evaluation Summary

Hypothesis	Statement	Result
H1	Tangibility positively influences customer satisfaction	Supported
H2	Reliability positively influences customer satisfaction	Strongly Supported
H3	Responsiveness positively influences customer satisfaction	Partially Supported
H4	Assurance positively influences customer satisfaction	Strongly Supported
H5	Empathy positively influences customer satisfaction	Partially Supported

Interpretation: The results confirm positive relationships between all SERVQUAL dimensions and customer satisfaction. However, assurance and reliability demonstrated stronger relationships compared to responsiveness and empathy.

5. Discussion

The findings are generally consistent with previous studies concerning banking service quality in transitional economies. Assurance and reliability emerged as the most influential dimensions because banking customers prioritize trust, security, and transaction accuracy when evaluating service quality.

The relatively lower scores for responsiveness and empathy indicate that regional banking institutions continue to face challenges in delivering personalized customer experiences. These weaknesses may result from insufficient staffing, limited customer relationship management training, or operational inefficiencies.

The moderate satisfaction level observed in the study suggests that while customers generally perceive banking services positively, significant opportunities remain for improving customer loyalty and service differentiation.

The findings also support the theoretical assumptions of the SERVQUAL model, confirming its applicability within Uzbekistan's regional banking environment.

6. Conclusion

This study examined the relationship between perceived service quality and customer satisfaction in the banking sector of Andijan, Uzbekistan. Using the SERVQUAL framework, the research identified assurance and reliability as the strongest dimensions influencing customer satisfaction, while responsiveness and empathy represented the primary service gaps.

The results demonstrate that customers place high value on trust, professionalism, and transaction accuracy in banking relationships. Although overall customer satisfaction remains moderately positive, improvements in customer responsiveness and personalized service delivery are necessary for strengthening customer loyalty.

The study confirms that service quality represents a critical strategic factor for regional banking competitiveness. In increasingly competitive financial markets, banks must focus not only on technological modernization but also on improving human-centered service quality.

7. Recommendations

Based on the findings, the following recommendations are proposed:

- Banks should implement regular customer service training programs focusing on communication skills, empathy, and responsiveness.
- Branches should improve queue management systems to reduce customer waiting times.
- Personalized banking services and relationship management programs should be expanded.
- Customer feedback systems should be strengthened to identify service weaknesses more effectively.
- Continued investment in digital infrastructure and branch modernization should remain a strategic priority.

8. Limitations and Future Research

The study is limited to the banking sector in Andijan and therefore may not fully represent customer perceptions in other regions of Uzbekistan. Additionally, convenience sampling may limit broader generalizability.

Future research should include comparative studies across multiple Uzbek cities and examine the influence of digital banking services on customer satisfaction. Longitudinal research could also provide deeper insight into changing customer expectations over time.

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