EFFECT OF SERVICE QUALITY AND PERCEIVED ORGANIZATIONAL RESPONSIBILITY ON CUSTOMER SATISFACTION IN RETAIL BANKING IN BANGLADESH: AN EXPLORATORY STUDY

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Abstract

This study assesses the effects of service quality and the additional effects of perceived organizational responsibility (POR) on customer satisfaction in Bangladesh's retail banking sector using three theoretical premises: Expectation Confirmation Theory (ECT), Stakeholder Theory (ST), and Corporate Social Responsibility Theory (CSR). We followed systematic intercept sampling technique and selected a sample of 147 retail clients (67.3% male & 32.7% female) from 28 private and state-owned banks in Dhaka, Bangladesh. The main constructs of the model were ascertained using factor analysis. Cronbach's alpha was used to assess construct reliability. Finally, hierarchical regression analysis was conducted to determine the change in R^2 after adding POR to the model while controlling for the effects of the other predictor variables. Not all service quality predictors were significant. The two key contributions of the study are: (1) POR has a slim but significant effect (R^2 change 3.2%) on customer satisfaction; and (2) the scales for measuring service quality resulted in modifying the dimension of service quality and included assurance, competence, tangibles, responsiveness, and a reformulated dimension, customer care, attributable to the cultural context and critical to retail banking customers. The conceptual and practical implications of the findings are unique and useful for retail banking in Bangladesh.

Keywords : *Perceived Organizational Responsibility, Service Quality, Customer Satisfaction, Customer Care, Retail Banking.*

JEL Classification : *M31, G21, M14, L84.*

1. INTRODUCTION

The banking industry is highly competitive (Vencataya et al., 2019; Benţe, 2018) with commercial banks constantly looking for ways to attract new customers and retain existing ones while keeping costs low (Bugdol et al., 2019). In this pursuit, staying focused on service quality and other value-adding benefits is imperative. In fact, the concept of service quality has been a critical driver for retail banks seeking

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to differentiate themselves and gain a larger market share (Bhengu & Vannie, 2016). Such differentiation enables clients to choose from a variety of financial products and services available to them. To build a formidable competitive advantage, customers' views and service expectations must be constantly monitored for banks to be successful (Bhengu and Vannie, 2016).

In Bangladesh, as in other developing countries, the banking sector is seen as the backbone of the economy, playing a significant role in helping the economy grow. Reviewing local and global trends, it can be said that retail banking will be the primary driver of growth for Bangladesh as lenders' dependence on corporate banking is waning due to a precipitous rise of non-performing loans (Paul, 2019). To take advantage of this shift, retail banking must strive to enhance service quality and develop special relationships with customers, thereby ensuring customer satisfaction and retention. Since customer service is at the heart of any service industry, delivering superior service is becoming increasingly important today (Paul, 2019). The purpose of this paper was

a. To investigate the impact of service quality on customer satisfaction in Bangladesh's retail banking industry.

b. To examine how perceived organizational responsibility augments customer satisfaction with increasing consumer activism concerning social, environmental and sustainability issues.

The core contribution of this study is twofold: it empirically validates the merging of relational service traits into a localized 'Customer Care' dimension, and it quantifies the significant impact of perceived organizational responsibility on retail banking satisfaction.

2. LITERATURE REVIEW

2.1 Service Quality and Customer Satisfaction

The concept of service quality is important to various service industries like banking (Ali & Raza, 2017), healthcare (Al-Neyadi et al., 2018), airports (Rezaei et al., 2018), hotels (Stefano et al., 2015), and beauty-parlours (Sultana et al., 2016), among others. Service quality has been conceptualized along five dimensions, namely, assurance, empathy, reliability, responsiveness, and tangibles (Slack et al., 2020). It is developed from a 22- item scale referred to as "SERVQUAL" (Parasuraman et al., 1988).

Extensive empirical research within the banking sector highlights a robust and significant correlation between service quality and customer satisfaction (Andaleeb et al., 2016; Jamal & Kamal, 2002), suggesting that banks should prioritize service quality as a driver of customer satisfaction for long-term corporate success (Khurana, 2013). If the customers are satisfied by the services they receive, they will remain loyal to the organisation. This ought to translate into higher profits, higher market share, and increasing business from the existing customer base (Karatepe et al., 2005).

Additional support comes from the study of Gazi et al. (2021), which reveals that the quality of service (empathy, reliability, and tangibility) had a statistically significant impact on customer satisfaction. Interestingly, the impact of these dimensions varies by delivery channel. For instance, Fang et al. (2021) found that while assurance, empathy, and responsiveness drive satisfaction in online banking, offline services rely more heavily on assurance, empathy, and tangible elements. Considering the intricate links among empathy, responsiveness and customer satisfaction, Fida et al., (2020) suggested that banks should place greater emphasis on these four traits. Thus, service quality dimensions affecting customer satisfaction may vary; for instance, service quality dimensions important for public sector banks are not likely to be the same for private sector banks (Paul et al., 2016).

Cronin et al., (2000) found that satisfied customers repeated their experience of buying the products and brought in new customers by communicating positive messages about it to others. Roy et al., (2018) demonstrated that perceived service quality increases the satisfactory relationship between a company and its customers, resulting in the customers' intention to spread positive word of mouth about the company (Chen et al., 2020). Dissatisfied customers, on the other hand, switch products/services and spread negative messages.

Recently, in India, banks are being urged to pay more attention to satisfying their customer in digital transactions by charging minimal fees for availing SMS services and making their websites more user-friendly by introducing major regional languages of India (Dutta, Mahasweta & Das, 2019). In the context of Bangladesh, Shourov et al. (2018) noted that retail banking customers prioritize easy account opening procedures, faster payment, fewer fees, fewer charges against services, 24/7 customer support service, increased number of ATM booths, and the ability to make purchases conveniently whenever and wherever they desire (Baier & Rese, 2020). Today, alternative service delivery channels using E-banking have become crucial for selecting the retail banking system.

Kamna (2021) indicated that interpersonal relationships boost retail banking productivity (employee-customer relationship) because the quality-of-service delivery impacts customer satisfaction. Customer satisfaction has thus become a key consideration for successful business operations within the retail banking sector, although service quality characteristics aren't yet fully understood by the organizations (Belás & Gabčová, 2016).

It ought to be mentioned that "SERVQUAL" has been criticized in the literature for its use in measuring service quality and determining customer satisfaction (Carman, 1990; Abdullah et al., 2014). First, it has been criticized on the actual number of dimensions of service quality. Ten dimensions were initially proposed, which were later refined to five. Even these five dimensions tend to vary with context (industry) and environment. The second criticism was the stability of the instrument from one context to another (e.g., restaurants vs automotive care), which may warrant adaptation, addition, or deletion of the items. The third criticism was the psychometric problem

that may arise because of the calculation of the difference scores (expectation minus perceived service quality), resulting in customers overstating their prior expectations because of their previous experiences with the organisations (Buttle, 1996). Finally, a growing body of research suggests that service quality dimensions are culturally contingent, with cultural values influencing customers' expectations and evaluations of reliability, responsiveness, assurance, empathy, and tangibles (Donthu & Yoo, 1998; Furrer et al., 2000; Radziszewska, 2025; Ayyildiz, 2024).

Consequently, as a replacement for SERVQUAL, Brown et al., (1993) & Carman (1990) proposed the SERVPERF model to evaluate the quality of service in the banking sector, but its reliability was questioned by other studies. Furthermore, in a study by Avkiran (1994), the BANKSERV model was designed to measure service quality in retail banking in Australia. The model consists of five dimensions: behaviour, client accessibility, communication, credibility, and staff communication. Additional models and measures have been developed to quantify service quality in several service industries and countries (Andaleeb, 2001; Ashraf et al., (2018) Pasha & Waheed, 2016; Zalatar, 2012) to explain customer satisfaction.

3. THEORETICAL FRAMEWORK AND HYPOTHESES

3.1 Expectation Confirmation Theory (ECT)

Customer satisfaction and perceived service quality are different constructs (Parasuraman et al., 1994): the former is an evaluation based on a particular transaction while the latter represents a holistic evaluation that gets integrated over time. Service quality is defined as the overall evaluation of services based on customers' perceptions that a service met their expectations or needs (Eshghi et al., 2008); it is an essential source for growth, survival, and success of a business (Parasuraman et al., 1988). Service quality thus reflects customer perceptions of the service experience depending on long-term cognitive evaluations, while customer satisfaction is the customer's short-term emotional reaction to a specific service experience (Mjaku, 2020; Parasuraman, 1988). Customer satisfaction, according to Kotler and Armstrong (2012), is the degree to which a product's perceived performance matches a buyer's expectations (Aimee, 2019). Research indicates that perceived service quality is an important driver of customer satisfaction (Dassanayake & Weerasiri, 2017) and explains variations in customer satisfaction (Wong & Amrik, 2003).

The relationship between the two constructs have been extensively examined in the context of Expectation Confirmation Theory (ECT) proposed originally by Oliver (1980) and used extensively in studies of service marketing (Hsiao et al., 2020), information systems (IS) (Bhattacherjee, 2001a; Chen et al., 2010), health behaviour (Chiu et al., 2020), mobile banking (Sinha & Singh, 2023) and related research studies.

ECT suggests that customer satisfaction is determined by the extent to which an actual service experience meets or exceeds customer expectations. When expectations are met or exceeds, it instils a sense of fulfilment and satisfaction (Babin & Griffin 1998;

Spreng et al., 1996). This alignment between expectations and perceived outcomes creates a positive experience. However, if customers' expectations are not met, resulting in misalignment with their perceptions, it can lead to disappointment and lower satisfaction levels. It is essential for organizations to understand and manage customers' expectations to ensure that their actions and behaviours align with expected outcomes, fostering a positive customer experience and enhancing overall satisfaction.

ECT establishes a link between pre- and post-adoption of technology and consists of pre-adoption expectations, post-adoption perceived usefulness, and confirmation of expectations that eventually lead to satisfaction and continuation intentions (Bhattacherjee, 2001). Several academic studies explained ECT dimensions and confirmed the close and complex association between ECT variables (Bhattacherjee, 2001; Gupta et al., 2020).

Taking Expectation Confirmation Theory (ECT) into consideration, the research hypotheses can be expressed as follows:

H_1: The more the perceived reliability, the greater the customer satisfaction.

H_2: The greater the perceived responsiveness, the higher the customer satisfaction.

H_3: The higher the perceived empathy, the greater the customer satisfaction.

H_4: The more palpable the tangibles, the more the customer satisfaction.

H_5: The greater the perceived assurance, the higher the customer satisfaction.

3.2 Stakeholder Theory (ST) and Corporate Social Responsibility (CSR) Theory

A bank's fulfillment of its responsibilities towards its customers by offering good value for money and excellent products ought to play a vital role in contributing to overall satisfaction. When customers perceive the bank as meeting its obligations and responsibilities, it builds trust and confidence. This positive perception of responsibility enhances the overall experience and customer satisfaction. Conversely, if customers feel that their bank falls short in fulfilling its responsibility, it can lead to dissatisfaction and a decline in trust. Therefore, by prioritizing and effectively delivering their responsibilities towards customers, banks can significantly contribute to customer satisfaction and loyalty.

Freeman (1984) argued that organizations should consider the interests and needs of various stakeholders, including customers, employees, and the community: attention to multiple constituencies. Organizations that demonstrate social responsibility are more likely to attract customers who perceive the company as fulfilling its broader social obligations (Sen, & Bhattacharya, 2018; Gao et al., 2019).

Banks can also create opportunities by supporting products and services that bring positive social and environmental advantages. Such opportunities may be in the areas of renewable energy, cleaner production processes and technologies, biodiversity conservation, and provision of financial services for marginalized groups (such as microfinance or low-income housing). These responsible initiatives create goodwill, draw new capital, support stakeholders, and help access new customers (Polonskaya & Babenko, 2012).

In recent years, in fact, there has been a sharp rise of social expectation from companies to operate their businesses sustainably, ethically, and responsibly. These tendencies stress the importance of ethics and accountable behaviours in different companies. Positive actions by businesses to such expectations will accentuate, in the public eye, a positive image of the company (Czarniewski, 2014).

Because people's attitudes also affect whether they are likely to choose a certain service provider, espoused by the Theory of Planned Behaviour (Ajzen, 1991), it is important to understand what affects consumer attitudes (Choua et al., 2020). In this regard, research on the effects of corporate social responsibility (CSR) on customers' attitudes and behaviour has grown significantly in the banking industry (Pratihari & Uzma, 2018; Eunil, 2019; Lecuyer et al., 2021). A bank's positive image can thus be reinforced by its responsibility to its local community, as well as its endorsement of environmentally friendly business ethos which, according to El-Akremi A. et al., (2018), reflects an organization's activities and procedures that consider the triple bottom-line of economic (profit), social (people), and environmental (planet) perspectives to serve the interests of stakeholders.

CSR is an important reputational driver (Khojastehpour & Johns, 2014; Trotta et al., 2013) in banking (Bouvain et al., 2013, Eunil, 2019) and retailing (Nguyen & Leblanc, 2001, Eunil, 2019), and the link between CSR and customers' cross-buying intention is mediated by both the responsible reputation of the company and the quality of its relationships (Vyas & Raitani, 2015). Therefore, when a company cares about its name and behaves responsibly, it projects value. The way branch managers view CSR influences how customers see it, which affects customer satisfaction, trust, engagement, and loyalty. (Moliner et al., 2019) and the perceived performance of service company (Lecuyer et al., 2021).

Another related body of literature emphasizes "responsible leadership" and underscores how leaders' actions have ethical and moral implications, and creates long-term value for stakeholders (Haque et al., 2019); such value extends beyond traditional economic outcomes (Cavagnaro & Van der Zande, 2021). Responsible organizations may thus be able to form strong ethical ties with their customers and create an environment of trust and respect (Doh & Quigley, 2014). Banks and their branches that behave responsibly deliver greater satisfaction and are likely to be treated much more favourably by the clients over and above the competition (Siegel & Vitaliano, 2007). The idea of organizational responsibility is not new, but its role has not been effectively examined and tested in Bangladesh. In view of the theoretical

arguments involving Stakeholder Theory (ST) and Corporate Social Responsibility (CSR), the following research hypothesis is proposed:

H_6: The higher the perceived organizational responsibility (POR), the higher the customer satisfaction.

In summary, achieving customer satisfaction in the modern retail banking landscape necessitates the integration of these distinct but complementary theoretical perspectives. Expectation Confirmation Theory (ECT) establishes the foundational pillar of functional service quality, demonstrating that satisfaction is fundamentally driven by a bank's ability to consistently meet or exceed a customer's practical and transactional expectations. However, as societal awareness and consumer activism continue to grow, fulfilling basic service expectations is no longer sufficient. Stakeholder Theory (ST) and Corporate Social Responsibility (CSR) introduce a critical second pillar, positing that banks are increasingly evaluated on their ethical, social, and environmental footprint and their commitment to the wider community. Together, service quality (anchored in ECT) and organizational responsibility (rooted in ST/CSR) act as inseparable, dual pillars for modern customer satisfaction. While robust service quality fulfills the immediate, functional needs of the banking consumer, perceived organizational responsibility fosters deep-seated trust, ethical alignment, and long-term relational value. Consequently, a bank must successfully manage both its transactional service delivery and its broader societal obligations to achieve sustainable competitive differentiation and true customer loyalty.

Because Bangladesh is characterized by a highly collectivist culture, functional service expectations (ECT) are deeply intertwined with relational bonds. Consequently, local retail banking customers do not isolate empathy from responsiveness; rather, they amalgamate them into a unified 'Customer Care' expectation. By integrating ECT with ST and CSR, this study hypothesizes that fulfilling these localized, transactional care expectations (H1-H5) must act in tandem with fulfilling broader ethical responsibilities (H6) to drive ultimate satisfaction.

The full model tested in this paper is depicted in Figure 1

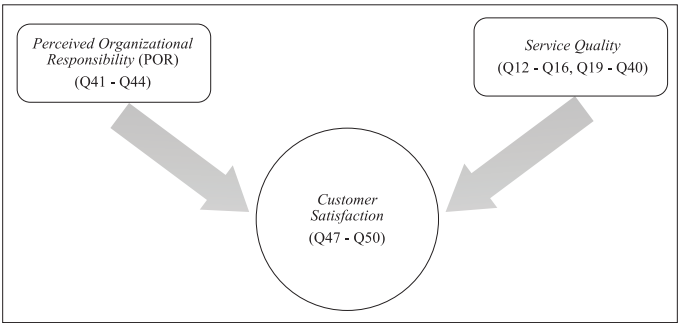

Figure 1: Conceptual Model with Measurement Scales.
(Q12-Q50 represent scale items shown in Appendix A)

4. RESEARCH METHODS

4.1 Study Area

We conducted the study in Dhaka, the capital of Bangladesh and the largest city of the country. It is the centre of economic, cultural, educational, and political life of the country. Since it became a modern capital city, Dhaka's population, land area, social diversity, and economic diversity have grown markedly. The Globalization and World Cities Research Network lists Dhaka as a beta-global city. It is now one of the most industrialized and developed part of the country.

At present there are 63 scheduled commercial banks in Bangladesh and 35 Non-bank Financial Institutions (NBFI). The headquarters of these banks and NBFIs are concentrated mostly in Motijheel Commercial Area and Gulshan Area of the city. Dhaka city works as a financial hub for the economy of the entire country.

4.2 Sampling Technique

We defined the population as retail customers of different public and private banks operating in Dhaka city. The study, being quantitative in nature, obtained the responses of 147 customers of 28 banks (80% private commercial banks & 20% public commercial banks) operating in Bangladesh by administering a closed-ended questionnaire. Nine post-graduate (DBA) students of the Institute of Business Administration (IBA), University of Dhaka, Bangladesh collected the data by employing a *systematic intercept technique* to capture a representative cross-section of retail banking customers. As trained enumerators, the nine students were stationed at selected branches and were instructed to approach every kth customer (in our case 4th customer) entering the facility throughout the operational hours. This method ensured that all customers visiting the branch had a known probability of being selected during the survey period, effectively mitigating the selection bias typically associated with pure convenience sampling.

It requires mention that due to the Covid-19 situation prevailing at the time of this study, face-to-face interviews were challenging to conduct; hence the size of the sample was relatively small but adequate. As per thumb rule, the minimum number of collected sample elements ought to be 27 scale items X 5 = 135, justifying our sample size of 147. However, we acknowledge that a sample of 147 respondents across 28 banks, primarily concentrated in Dhaka, may limit generalizability of the findings to the retail banking sector across the entire country.

4.3 Questionnaire Design

The questionnaire used for this study was comprised of three parts. The first part obtained declarations of the customer's preferred bank, how long they were a customer of that bank, frequency of bank visit, nature of the services received, ever complained, whether the complaint was resolved by the banks etc. These questions were in a dichotomous format.

The second part of the questionnaire asked about the quality of the banks' services and used the scale that Parasuraman et al. had developed (with context-related modifications) (1994): 27 items were used to measure the dimensions of service quality instead of 22 items to account for the local situation. The respondents were asked to share perceptions about their bank's services based on a 7-point Likert-scale. The scales were anchored at 1 - strongly disagree and 7 - strongly agree. To measure perceived organizational responsibility (POR), a similar 7-point Likert scale was used. At the end of the second part, the questionnaire contained measures of overall satisfaction: the respondents were asked to rate their satisfaction based on a 4-item 7-point Likert-scale. Questionnaires were self-administered by the respondents.

The third part of the questionnaire sought the demographic characteristics of the respondents including age, gender, academic qualification, and number of years in employment.

5. ANALYSIS

5.1 Strategies for Analysis

We used several data analysis procedures using SPSS in this study. To check for data entry errors and to obtain descriptive statistics, frequency distributions were first obtained. The dimensions of service quality were derived next using factor analysis with varimax rotation. The original dimensions and measures are shown in Appendix-A. We conducted regression analysis to test the hypotheses. We also assessed multicollinearity using tolerance and variance inflation factor (VIF) statistics.

To ascertain the dimensions, principal components factor analysis was conducted by constraining the analysis to five factors (in line with our expectations). The following constructs (see Table 1) emerged which were used in testing the hypotheses:

- Tangibility Construct grouped with 5 Items (Q12 – Q16).
- Customer Care Construct grouped with 12 Items (Q19, Q29, Q31 – Q40) (New Dimension)
- Assurance Construct grouped with 4 Items (Q24 – Q27).
- Competence Construct grouped with 2 Items (Q28, Q30). (New Dimension)
- Reliability Construct grouped with 4 Items (Q20 – Q23).

Table 1 : Constrained Factor Analysis using 27 Scale Items

	Components				
	1	2	3	4	5
Question # 33	.818	.192	.208	.151	.217
Question # 38	.738	.334	.346	.210	.146
Question # 32	.713	.251	.375	.266	.281
Question # 39	.697	.236	.446	.176	.230
Question # 31	.689	.272	.310	.287	.305
Question # 35	.688	.281	.293	.386	.170
Question # 37	.684	.331	.440	.245	.122
Question # 34	.666	.356	.044	.337	.280
Question # 36	.666	.390	.400	.211	.004
Question # 40	.656	.252	.545	.161	.147
Question # 29	.566	.258	.399	.469	.128
Question # 19	.533	.365	.501	.107	.328
Question # 13	.338	.834	.208	.009	.122
Question # 12	.258	.826	.225	.040	.116
Question # 16	.255	.824	.200	.237	.207
Question # 15	.186	.761	.230	.166	.312
Question # 14	.233	.744	.282	.326	.174
Question # 26	.285	.318	.714	.267	.157
Question # 25	.356	.360	.709	.271	.139
Question # 27	.458	.316	.680	.266	.171
Question # 24	.412	.394	.566	.367	.099
Question # 28	.314	.144	.373	.769	.168
Question # 30	.402	.183	.217	.723	.267
Question # 22	.172	.310	.065	.288	.773
Question # 23	.407	.183	.538	.093	.548
Question # 20	.438	.458	.300	.064	.514
Question # 21	.479	.280	.365	.170	.501

Principal Component Analysis with Varimax Rotation

There is very little research on the concept of POR and its impact on customer satisfaction in retail banking. Thus, based on the literature mentioned earlier, the measurement scales of this construct were derived (shown in Appendix-A). Using factor analysis, it was found that the measures grouped under a single construct. Similarly, the measures of customer satisfaction also grouped together as a single construct.

Table 2. Correlation Matrix with Reliability Score in Diagonal

Variables	Responsibility, Q41-44	Tangibles, Q12-16	Customer Care, Q29, 31-40	Assurance, Q24-27	Competence, Q28, 30	Reliability, Q20-23	Satisfaction, Q47-50
Satisfaction Q47-50	0.78	0.63	0.85	0.77	0.62	0.73	0.94
Reliability Q20-23	0.77	0.71	0.81	0.76	0.65	0.94	
Competence Q28, 30	0.59	0.53	0.75	0.72	0.95		
Assurance Q24-27	0.72	0.72	0.85	0.93			
Customer Care Q19, 29, 31-40	0.76	0.70	0.93				
Tangibles Q12-16	0.69	0.94					
Perceived Organizational Responsibility (POR) Q41-44	0.94						

- Pearson's Correlation Coefficients
- Cronbach's Alpha is shown in diagonal cell

All of the constructs were assessed for reliability (using coefficient alpha); each exceeded the value of 0.7 as recommended by Taylor et al. (2003). Table 2 shows these values along the diagonal of the correlation matrix. The correlations also provide support for discriminant validity since the correlations between one scale, and another is not as high as each scale's coefficient alpha (Gaski et al., 1985).

Table 3: Collinearity Statistics

Variables	Tolerance	VIF
Reliability Q20-23	0.27	3.75
Competence Q28, 30	0.41	2.47
Assurance Q24-27	0.23	4.44
Customer Care Q19, 29, 31-40	**0.18**	**5.56**
Tangibles Q12-16	0.40	2.51
Perceived Organizational Responsibility (POR) Q41-44	0.33	3.06

Because the novel 'Customer Care' (CC) dimension was formed by grouping items from the other service quality constructs, we ran the Variance Inflation Factor (VIF) to examine possible multicollinearity and model stability. The VIF values ranged from 2.47 to 5.56 (see Table 3). For the Customer Care construct VIF was 5.56. Although this value is slightly above the conventional threshold of 5, the remaining predictors had lower VIF values, suggesting mild multicollinearity. This was not

unexpected, especially because the construct was formed from the other constructs, and because service quality is not interpreted uniformly across different societies and cultures. Because Bangladesh is characterised by a highly collectivist culture, functional service expectations are deeply intertwined with relational bonds, leading customers to amalgamate distinct traits into a holistic perception of customer care. Consequently, this conceptual intertwining results in shared variance among the predictors, suggesting that the elevated VIF reflects the psychometric reality of our local cultural context rather than a structural flaw in our modified scale.

6. RESULTS

To test our hypotheses about the role of service factors and POR in driving customer satisfaction, hierarchical regression was run using two models shown below where the new variable (POR) is added in Regression Model # 2. A change of R-Square would reflect the effect of the variable on the dependent variable, customer satisfaction.

Regression Model 1:

Customer Satisfaction (CS) = $i_1 + \beta_1$ Tangibility (T) + β_2 Customer Care (CC) + β_3 Assurance(A) + β_4 Competence (CO) + β_5 Reliability (R) + e_1

Regression Model 2:

Customer Satisfaction (CS) = $i_1 + \beta_1$ Tangibility (T) + β_2 Customer Care (CC) + β_3 Assurance(A) + β_4 Competence (CO) + β_5 Reliability (R) + β_6 Perceived Organizational Responsibility (POR) + e_1

Model # 1 includes the five dimensions of service quality (tangibility, customer care, assurance, competence, reliability) as Block 1. The new variable POR was added as a separate block (variable) in Model 2 (see Table 4).

Table 4: β Coefficients of the Variables of the Regression Model # 1 & Model # 2

Model	Variables	Coefficients				
		B	Std. Error	β	T	Sig.
1	(Constant)	.137	.300		.457	.649
	Tangibles Q12-16	.006	.068	.006	.082	.935
	Customer Care Q29, Q31-40	**.733**	**.110**	**.669**	**6.648**	**<.001**
	Assurance Q24-27	**.177**	**.101**	**.160**	**1.741**	**.084**
	Competence Q28, 30	-.088	.072	-.084	-1.224	.223
	Reliability Q20-23	.142	.093	.123	1.530	.128
2	(Constant)	-.085	.287		-.295	.769
	Tangibles Q12-16	-.050	.065	-.050	-.762	.447
	Customer Care Q29, Q31-40	**.629**	**.107**	**.574**	**5.893**	**<.001**
	Assurance Q24-27	**.153**	**.096**	**.139**	**1.597**	**.113**
	Competence Q28, 30	-.083	.068	-.079	-1.218	.225

Table 4 (Contd.)

Model	Variables	Coefficients				
		B	Std. Error	β	T	Sig.
	Reliability Q20-23	.013	.093	.011	.136	.892
	Responsibility Q41-44	**.361**	**.084**	**.312**	**4.314**	**<.001**

a. Dependent Variable: Satisfaction Q47-50.
b. Model 1: F = 76.02, p <.001 & R^2 = .729, adj. R^2 = .720.
c. Model 2: F = 74.36, p <.001 & R^2 = .761, adj. R^2 = .751

R-square measures the strength of the relationship between the independent variables and the dependent variable. In Regression Model # 1, R^2 = 0.729, which indicates 72.9% of the variation in the dependent variable is explained by the service quality variables including Customer Care as a novel construct. In Regression Model # 2, the F-test is significant and R^2 = 0.761, which indicates 76.1% of the variance in the dependent variable is explained by the independent variables collectively. Thus, there is 0.032 or 3.2% change in R square due to addition of the new variable POR which has a marginal but significant effect on customer satisfaction.

In regression model # 1, the statistically significant variables are Customer Care (p<.001) and Assurance (p<0.1, assuming Type-I error is 10% for this exploratory research). Tangibles, competence, and reliability were not statistically significant. In regression model 2, POR and customer care were statistically significant (p<.001), while assurance was nearly significant (p<.113). Tangibles, competence, and reliability were not statistically significant in Regression Model 2. Since the standardized β (beta) coefficient of customer care is .574 and that of POR is 0.312 (p<.001), we can say that customer care has a greater effect on customer satisfaction than POR in retail banking in Bangladesh.

7. DISCUSSION

7.1 General Discussion of Findings

The primary objective of this exploratory study was to assess the impact of service quality and the added effect of perceived organizational responsibility (POR) on customer satisfaction within Bangladesh's retail banking sector. Overall, the hierarchical regression analysis demonstrated a robust model fit, confirming that a combination of functional service delivery and broader ethical organizational behaviour collectively drives customer satisfaction.

A major finding of this study is the necessary reformulation of traditional service quality dimensions when applied to the local context. Factor analysis revealed that retail banking clients in Dhaka perceive service quality through a modified lens, leading to the emergence of a new, distinct construct: Customer Care. The regression results indicated that this dimension had the strongest and highly significant effect on customer satisfaction. This suggests that Bangladeshi banking customers do not cognitively isolate traits like empathy and responsiveness; rather, they amalgamate these traits into a holistic perception of relational care. Furthermore, the ***Assurance***

dimension remained a vital factor, indicating that customers place a premium on feeling secure and confident in their bank's operations.

Notably, three independent variables - competence, reliability, and tangibles - did not demonstrate statistically significant impact on customer satisfaction within this model. While this diverges from the foundational SERVQUAL model, Ladhari et al. (2011) demonstrated that the tangibles dimension is often of little consequence to customer service quality perceptions, especially in rapidly digitizing economies. Extending this logic to our findings, recent research underscores that as retail banks accelerate their omnichannel and digital transformations, the traditional interpersonal "competence" of physical branch staff is frequently overshadowed by seamless system efficiency and holistic relational care (Fiaz & Fahim, 2023; Jawaid et al., 2023).

In addition, "reliability" - reflecting error-free record-keeping and basic transactional accuracy - has largely *evolved into 'hygiene factors' with consumers increasingly viewing operational accuracy and staff proficiency as a baseline requirement*. Hence it may fail to reach statistical significance as a primary driver of customer satisfaction, particularly when compared to dynamic relational elements like corporate responsibility, empathy, and responsiveness (Jawaid et al., 2023). Consequently, in the Bangladeshi context, customers do not isolate traditional metrics of staff competence and basic reliability; rather, they evaluate overall satisfaction through the integrated, value-driven lens of proactive 'Customer Care.'

The strong influence of Customer Care and Assurance in the Bangladesh context suggests that in a relationship-oriented market, customers prioritize interpersonal connection over technical service delivery. This finding aligns with the notion that service quality is a context-dependent construct, where the drivers of satisfaction shift from functional utility to relational value as markets mature and technologies standardize.

Finally, the study established that Perceived Organizational Responsibility (POR) contributes a slim but statistically significant 3.2% increase in explaining the variance in customer satisfaction. While customer care remains the dominant driver, the significance of POR is an important indicator of shifting consumer mindsets. It highlights that in a developing economy like Bangladesh, customer expectations are maturing; consumers are beginning to evaluate and reward banks that exhibit ethical ties, offer value for money, and support local communities. The modest size of this effect likely reflects the current, transitional state of consumer awareness and activism in the region, an element that is expected to grow as social and environmental awareness continues to rise.

7.2 Theoretical Implications

This study advances the existing literature by bridging **Expectation Confirmation Theory (ECT)** with **Stakeholder Theory (ST)** and **Corporate Social Responsibility (CSR)** within the context of a developing economy. First, by demonstrating that Perceived Organizational Responsibility (POR) adds a 3.2% explanatory variance to customer satisfaction, this study empirically validates that functional service quality alone is no longer sufficient to fully satisfy retail banking customers. It extends Stakeholder Theory by proving that Bangladeshi consumers actively evaluate a bank's ethical and social footprint alongside its financial services.

Second, this research challenges the universal applicability of the Euro-centric SERVQUAL dimensions. Factor analysis resulted in a reformulated framework where the traditional variables blended together, and two distinct dimensions emerged: *Customer Care* and *Competence*. This suggests that in emerging markets, especially during crisis periods like the COVID-19 pandemic, customers do not mentally separate empathy, responsiveness, and reliability; rather, they amalgamate them into a holistic 'Customer Care' construct. Consequently, this study contributes a culturally adapted measurement scale that better captures the psychometric realities of retail banking in Bangladesh.

7.3 Managerial Implications

The findings present several actionable strategies for bank managers and policymakers in the retail banking sector:

a. **Strategic Integration of POR:** Since POR significantly drives satisfaction, banks must move beyond generic, localized charity. Managers should integrate visible corporate social responsibility into their core operations. This includes offering 'green' financial products (e.g., lowering profit rates for eco-friendly home loans), transparent pricing, and actively communicating the bank's community investments. Bank branches should visually and digitally highlight their sustainability efforts.

b. **Prioritizing Holistic Customer Care over Tangibles:** The data reveals that customer care strongly outweighs physical tangibles. Consequently, capital expenditure should be reallocated from lavish branch physical infrastructure toward advanced Customer Relationship Management (CRM) systems and rigorous soft-skills training for frontline employees.

c. **Digital and Crisis-Resilient Service Delivery:** The insignificance of physical tangibles and direct staff competence points toward a major shift in consumer behavior driven by the pandemic. Banks must ensure that their digital interfaces (apps and websites) are highly responsive, secure, and user-friendly, essentially digitizing the 'assurance' and 'customer care' dimensions.

7.4 Limitations and Future Research

While this study offers novel insights, it is subject to certain limitations. First, the sample size of 147 respondents, systematically intercepted primarily in retail banking premises in Dhaka city, limits the generalizability of the findings across rural or semi-urban demographics in Bangladesh. Second, the data was collected during the COVID-19 pandemic, a period that fundamentally altered consumer interaction with physical bank branches, which may have uniquely resulted in the insignificance of physical tangibles. Future research should look to validate this modified customer care scale using larger, nationwide samples across a post-pandemic, stabilized economic environment.

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Appendix-A. Measurement Scales

The initial phase involved deploying a total of 27 measurement items designed to reflect the five core SERVQUAL dimensions (Tangibility, Reliability, Assurance, Responsiveness, and Empathy). An Exploratory Factor Analysis (EFA) was then performed to establish the dimensionality and underlying factor structure of the service quality construct.

Construct	Measurement Scales
Tangibility	1. The bank is modern looking (Q12) 2. The bank has appealing physical facilities (Q13) 3. Appearance of the staff is professional (Q14) 4. Materials provided by the bank are visually appealing (Q15) 5. The atmosphere of the bank is inviting (Q16)
Reliability	1. The bank staff sincerely tries to solve customers' problems (Q19) 2. The staff performs services right the first time (Q20) 3. The staff provides services at the time it is promised (Q21) 4. Records provides by the bank are error free (Q22) 5. The employees of the bank are trustworthy (Q23) 6. The employees have good communication skills (Q24)
Assurance	1. Behaviour of staff instils confidence (Q25) 2. Customers feel safe in their transactions (Q26) 3. The staff is courteous (Q27) 4. The staff is knowledgeable to answer questions (Q28) 5. The staff is clear when communicating (Q29) 6. Staff is skilled in providing services (Q30)
Responsiveness	1. The staff provides prompt service (Q31) 2. The staff is helpful (Q32) 3. The staff is never too busy to respond to customers' needs (Q33) 4. The waiting lines are efficient (Q34) 5. The employees communicate effectively (Q35)
Empathy	1. Staff provides individual attention (Q36) 2. Staff is polite (Q37) 3. Staff has customers' best interest at heart (Q38) 4. Staff understands specific needs of customers (Q39) 5. Staff is considerate (Q40)
Perceived Organisational Responsibility (POR) [New dimension]	1. The bank offers good value for money (Q41) 2. The products (i.e. credit and debit card, ATM, online transaction) I use from the bank are excellent (Q42) 3. The bank has strong sense of responsibility to the local community (Q43) 4. The bank has environmentally friendly business setup and operations (Q44)
Customer Satisfaction [Dependent Variable]	1. Overall, I am satisfied with the bank (Q47) 2. The bank provides quality services (Q48) 3. I would recommend the bank to others (Q49) 4. I am loyal to the bank. (Q50).