

## **Service Quality Measurement in Croatian Banking Sector: Application of SERVQUAL Model**

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Service quality has become an important factor for success and recognition in the banking sector. The financial services belong to a group of services that almost all people of developed countries encounter during their life. In order to survive in this intensively competitive sector banks need to identify factors that ensure the long-term success. Although a great number of research studies related to service quality in banking sector were conducted during past two decades, the literature review indicates that similar studies in Southern Europe are relatively limited. The purpose of this study is to investigate customers' expectations and perceptions of banking service quality. The study also aims to identify the number of dimensions for expectations and perceptions scales of modified SERVQUAL model and to test the reliability of the applied model.

The primary data were collected through using a self-administered questionnaire. The study used a modified SERVQUAL scale with 22 pairs of item for measuring expectations and perception of banking service quality. Respondents were asked to indicate their degree of agreement with each of the items on 7-point Likert-type scale. Basic information relating to the respondents' age, gender, economic status, education, frequency of using eBanking and frequency of bank visiting were also collected to gain insight into the profile of the customers. Data for this study was collected using convenient sample in 4 months period in 2012. In total, 1000 questionnaires were distributed and 511 returned, of which 56 were incomplete and omitted from the analysis. This makes a response rate of 45.50% (N=455). In order to achieve the study goals, descriptive statistics, t-test, exploratory factor analysis, and reliability analysis were performed.

The study results indicate high expectations of customers regarding banking service quality. There is an overall negative discrepancy between bank customers' expectations and perceptions which indicate that customers included in the sample express dissatisfaction with banking service quality in Croatia. The greatest gap occurs in reliability and responsiveness, which requires measures for the improvement. Furthermore, the study identify five factors that best explain customers' expectations and two factors that best explain customers' perceptions regarding banking service quality.

This study makes contribution to the knowledge about banking service quality and provides useful information that could help bank management in providing high service quality and increasing the customers' level of satisfaction.

*Keywords:* SERVQUAL, service quality, factor analysis, reliability analysis, banking sector