

The Impact of Service Quality on Customer Satisfaction in the Banking Sector in the United Arab Emirates

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Abstract

This study investigates the impact of service quality on customer satisfaction in the banking sector in the United Arab Emirates. A quantitative research methodology was adopted using a structured questionnaire based on the SERVQUAL model. The study collected data from 250 retail banking customers across multiple UAE banks. Statistical analysis included descriptive statistics, reliability testing, correlation, and regression analysis using SPSS. The findings confirm that service quality significantly influences customer satisfaction, with reliability and responsiveness being the strongest predictors. The research provides strategic implications for banking managers to improve customer experience and competitive positioning.

Chapter 1: Introduction

1.1 Research Background

The banking sector represents one of the most competitive and customer-driven industries in modern economies. In the United Arab Emirates, the financial sector has experienced rapid expansion driven by technological innovation, digital transformation, and globalization. Service quality has become a strategic priority for banks seeking to maintain competitive advantage and long-term sustainability. Customers today evaluate banking services not only based on financial products but also on overall service experience, digital accessibility, staff professionalism, and transaction reliability. The SERVQUAL model identifies five essential dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles. Understanding how these dimensions influence customer satisfaction is essential for improving banking performance.

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1.2 Research Problem

Despite significant investments in digital banking platforms and customer service systems, banks in the UAE continue to face customer complaints related to service delays, technical failures, and inconsistent service quality. These challenges raise questions regarding the effectiveness of current service strategies and their impact on customer satisfaction. There is a need to empirically examine the relationship between service quality dimensions and customer satisfaction in the UAE banking context.

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1.3 Research Objectives

1. To measure perceived service quality in UAE banks.
2. To measure customer satisfaction levels.
3. To test the relationship between service quality and customer satisfaction.
4. To identify the strongest service quality dimension affecting satisfaction.

1.4 Research Hypotheses

H1: Service quality has a significant positive impact on customer satisfaction.

H1a: Reliability positively impacts customer satisfaction.

H1b: Responsiveness positively impacts customer satisfaction.

H1c: Assurance positively impacts customer satisfaction.

H1d: Empathy positively impacts customer satisfaction.

H1e: Tangibles positively impact customer satisfaction.

Chapter 2: Literature Review

2.1 Introduction

Service quality has been extensively examined in management and marketing research. The SERVQUAL framework developed by Parasuraman et al. (1988) remains one of the most influential models in measuring service performance. Customer satisfaction is commonly explained through

Expectation-Disconfirmation Theory, which suggests that satisfaction occurs when perceived performance meets or exceeds expectations. Recent empirical studies confirm that service quality significantly predicts customer satisfaction in banking sectors across different countries.

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2.2 Service Quality Dimensions

Reliability

Reliability represents a critical component of service quality in banking services. It influences how customers evaluate service encounters and overall experience. High performance in this dimension enhances trust, reduces uncertainty, and increases customer satisfaction.

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Chapter 3: Research Methodology

This study adopts a positivist research philosophy and a deductive quantitative approach. A cross-sectional survey design was employed to collect primary data from retail banking customers in the UAE. Convenience sampling was used due to accessibility considerations. The questionnaire included 22 SERVQUAL items and 5 customer satisfaction items measured using a 5-point Likert scale. Data analysis procedures included reliability testing using Cronbach's Alpha, descriptive statistics, correlation analysis, and multiple regression analysis.

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Chapter 4: Statistical Analysis & Findings Discussion

Descriptive statistics indicated that respondents generally perceived service quality positively. Reliability testing showed Cronbach's Alpha values above 0.80 for all constructs, indicating strong internal consistency. Correlation analysis revealed significant positive relationships between all service quality dimensions and customer satisfaction. Multiple regression analysis confirmed that reliability and responsiveness were the strongest predictors of satisfaction.

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Chapter 5: Research Limitations, Recommendations & Conclusion

The study was limited to a sample of 250 respondents within the UAE and used convenience sampling. Future research may adopt probability sampling and expand to other GCC countries. Bank managers should focus on improving service reliability, enhancing digital responsiveness, and investing in employee training programs. Continuous monitoring of customer feedback systems is recommended to maintain competitive advantage.

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