

## **Abstract**

The banking industry is navigating a period of significant challenges, requiring banks to differentiate themselves through superior service standards and innovative strategies. In an era of dynamic customer expectations and heightened competition from private and foreign banks offering advanced facilities, retaining and satisfying customers has become critical. Existing banks are experiencing declining occupancy rates, necessitating immediate strategic intervention to enhance customer satisfaction and loyalty.

This study identifies key factors influencing service quality in banks, including tangibility, reliability, responsiveness, assurance, empathy, information, and pricing. Internal service quality is found to have a direct and significant impact on external service quality, which, in turn, influences customer satisfaction. However, the study highlights a gap between customer satisfaction and service loyalty, particularly among specific customer groups, such as the PURB (Poorly Responsive Retail Banking) segment.

The research emphasizes the importance of addressing customer needs through staff attitudes, human resource management, bank reputation, overtime operations, marketing, internal management, and engagement with the financial market. Given the varied expectations across customer segments like PRRB (Proactively Responsive Retail Banking) and PURB, banks must tailor marketing strategies to meet diverse demands effectively.

This work underscores the critical link between service quality, fairness, customer satisfaction, and loyalty. The findings provide actionable insights for banks to enhance their service delivery, retain customers more effectively, and regain competitive advantage in a rapidly evolving industry.