



WHEN BANKS UNDERDELIVER: A SERVQUAL GAP ANALYSIS OF NORTH MACEDONIA'S BANKING SECTOR

Snežana Ristevska-Jovanovska 

Ss. Cyril and Methodius University, Faculty of Economics, Skopje, North Macedonia

<https://orcid.org/0000-0003-1019-0218>

ARTICLE INFO



 Open access

JEL Category:

G21, M31

Keywords:

services marketing

service quality

quality control

investment

reliability

behavior

communications

ABSTRACT

A bank can appear modern and still underdeliver where service quality matters most. This study provides a descriptive diagnosis of the gap between customer expectations and perceptions of the quality of retail banking services in North Macedonia. A non-probability electronic survey of 196 bank customers was conducted in December 2025 using 20 paired statements adapted from SERVQUAL and grouped into tangibility, reliability, responsiveness, assurance, and empathy. Item- and dimension-level gaps were calculated as the difference between perceived and expected performance, with negative scores indicating underdelivery. The overall unweighted gap was -1.49; mean expectations were 4.37, compared with mean perceptions of 2.88. All dimensions recorded negative gaps. Reliability showed the largest shortfall (-1.70), followed by responsiveness (-1.61), assurance (-1.55), empathy (-1.52), and tangibility (-1.08). The most serious item-level weaknesses concerned error-free delivery, correct performance at the first attempt, employee availability, courtesy, and confidence-inspiring behavior. The findings reveal a consistent paradox: visible facilities and equipment were evaluated more favorably than operational dependability and human interaction. Managerial priorities should therefore include first-time-right processes, realistic service deadlines, clear communication, problem ownership, and individual attention. Given the descriptive design and non-probability sample, the findings should be interpreted diagnostically rather than as population estimates.

1 INTRODUCTION

A banking transaction may take only a few seconds, but a single error can undermine customer trust for years. Modern branches, sophisticated mobile applications, and digital

innovations create a perception of progress, yet customers ultimately evaluate banks through the accuracy, reliability, and responsiveness of the services they receive. In financial services, trust is built less through appearance than through

Address of the corresponding author:

Snežana Ristevska - Jovanovska

 snezanarj@eccf.ukim.edu.mk

Received: 03.08.2026

Revised: 08.08.2026

Accepted: 13.08.2026

Available online: 13.08.2026



consistent delivery. A polished branch, a sophisticated mobile interface, or new equipment has limited value when transactions contain errors, promised deadlines are missed, or no employee takes ownership of a problem. In retail banking, service quality is ultimately tested where institutional promises meet the customer's experience.

Competition, technological development, and the increasing similarity of core financial products have made service delivery a critical source of differentiation. Deposits, cards, loans, payment services, and digital banking solutions may be broadly comparable across institutions. What remains distinctive is the accuracy, speed, security, clarity, and personal attention with which those services are delivered across branch and digital touchpoints.

Banking services are largely intangible and process-dependent, which makes them difficult to evaluate before use. Customers judge not only the financial outcome, but also access, waiting time, transaction reliability, employee competence, communication, problem resolution, and the bank's ability to understand individual needs. Service quality is therefore both operational and perceptual: a bank may comply with internal procedures and still disappoint customers through delays, errors, unclear information, or impersonal treatment. Grönroos (1984) distinguishes technical quality - what the customer receives - from functional quality - how the service is delivered. The distinction is especially important in banking. A technically appropriate product may still generate poor experience when communication is weak, or access is difficult. Conversely, courteous interaction cannot compensate for inaccurate transactions, missed deadlines, or unresolved problems. The expectation-perception approach developed by Parasuraman et al. (1985, 1988) offers a practical framework for identifying these failures. Customers compare the service they believe an excellent bank should provide with the service they perceive they have received. The difference represents the service quality gap. A negative score indicates that perceived performance falls below expectations; a score close to zero indicates that expectations have broadly been met.

Evidence from North Macedonia confirms that bank customers hold high expectations and attach particular importance to reliability (Yzeiri Baftijari et al., 2020). National studies have also linked service quality with satisfaction and loyalty (Naumovska-Saveska et al., 2021). At the same time, contemporary banking research increasingly treats service quality as an integrated experience across physical and digital channels, while continuing to identify reliability, responsiveness, security, and relationship quality as central outcomes (Ayinaddis et al., 2023; Sreejesh, 2024; Sharma et al., 2024). A current item-level diagnosis is therefore valuable because it identifies not merely whether service quality matters, but where the customer experience breaks down.

The purpose of this study is to measure, compare, and rank the gaps between customer expectations and perceptions of the quality of retail banking services in North Macedonia. The analysis addresses three research questions:

- RQ1:** What levels of expectations and perceptions do customers report across the five SERVQUAL dimensions?
- RQ2:** Which SERVQUAL dimensions display the largest expectation-perception gaps?
- RQ3:** Which individual service attributes represent the strongest and weakest elements of banking service delivery?

This study contributes in three ways. First, it reports paired expectations, and perception means for all 20 service attributes. Second, it ranks service failures at both dimension and item level, converting a broad quality assessment into explicit managerial priorities. Third, it identifies a central paradox in the contemporary banking experience: visible modernization is evaluated more favourably than the operational reliability and human responsiveness on which trust ultimately depends. The contribution is intentionally diagnostic; no claim of national representativeness or inferential significance is made.

2 LITERATURE REVIEW

Service quality is difficult to define and measure because services are intangible, variable, and produced through interaction between provider

and customer. Customers therefore rely on visible evidence, previous experience, reputation, communication, employee behavior, and service outcomes when judging quality.

Grönroos (1984) conceptualised perceived service quality as a comparison between expected and experienced service, combining technical quality, functional quality, and corporate image. Parasuraman et al. (1985) extended the gap perspective by distinguishing differences among customer expectations, managerial perceptions, service standards, actual delivery, external communication, and customer perceptions.

The fifth gap - the difference between expected and perceived service - became the basis of SERVQUAL. The model reduced ten initial components to five dimensions: tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). For item i , the gap is calculated as:

$$SQ_i = P_i - E_i$$

where SQ_i is the service quality gap, P_i is the perception score, and E_i is the expectation score. A negative value indicates that perceived performance is below the expected level. The larger the negative value, the wider the observed discrepancy.

SERVQUAL is useful because it transforms an abstract evaluation into identifiable service attributes. It has nevertheless been criticised for the stability of its five dimensions, the interpretation of expectations, and the possibility that performance-only measures may predict outcomes more efficiently (Cronin & Taylor, 1992; Asubonteng et al., 1996; Newman, 2001; Ladhari, 2009). Hierarchical and context-specific models have therefore been proposed to capture service outcomes, processes, and industry characteristics more precisely (Brady & Cronin, 2001).

For the present purpose, the expectation-perception approach remains appropriate because the objective is not to estimate a causal model, but to diagnose the distance between the service customers desire and the service they believe their principal bank delivers. The ordering of negative gaps provides a transparent basis for prioritising improvement.

Banking service quality and evidence from North Macedonia - Banking service quality has been examined through generic and industry-specific instruments. Avkiran (1994) developed a branch-banking scale; Bahia and Nantel (2000) proposed the Banking Service Quality scale; Aldlaigan and Buttle (2002) developed SYSTRA-SQ; and Karatepe et al. (2005) emphasised service environment, interaction quality, empathy, and reliability. Although these models differ, transaction accuracy, fulfilment of promises, employee behavior, access, communication, security, and personal attention recur as core elements.

The expansion of the internet, mobile, and integrated channel banking has broadened the service-quality agenda. Recent studies show that reliability, responsiveness, speed, security, ease of use, and continuity across channels shape satisfaction, loyalty, relationship quality, brand equity, and technology use (Ayinaddis et al., 2023; Yesmin et al., 2023; Sreejesh, 2024; Sharma et al., 2024). These developments do not make the original SERVQUAL dimensions obsolete; rather, they underline the need to connect visible technology with dependable processes and effective human support.

Evidence from North Macedonia provides an important point of comparison. Yzeiri Baftijari et al. (2020), using a modified SERVQUAL instrument with 330 customers, reported very high expectations and identified reliability as the most important banking-service dimension. Naumovska-Saveska et al. (2021) found that service quality and service characteristics influence satisfaction in the national banking sector.

These studies establish the strategic importance of banking service quality in North Macedonia. The present study complements them by concentrating on the magnitude and ordering of expectation-perception gaps across 20 concrete attributes. Its value lies in identifying which failures require immediate operational attention and which comparatively stronger areas should be maintained rather than treated as proof of overall quality.

The study uses the original five-dimensional SERVQUAL structure. Table 1 summarises the operational meaning of each dimension and the number of items used.

Table 1. *SERVQUAL dimensions used in the study*

Dimension	Operational meaning	Items
Tangibility	Physical facilities, equipment, employee accessibility, and visual service materials	4
Reliability	Accurate, dependable, and timely delivery of promised services	4
Responsiveness	Prompt service, status communication, and willingness to assist customers	4
Assurance	Employee knowledge, courtesy, security, and ability to inspire confidence	4
Empathy	Individual attention, convenient access, and understanding of customer needs	4
Total		20

Source: Author's adaptation based on Parasuraman et al. (1988)

The dimensions are not assigned predetermined importance weights. Instead, priorities are derived from the observed gap in ordering: a larger negative gap represents a wider discrepancy between desired and perceived service and therefore a stronger need for managerial attention.

3 RESEARCH METHODOLOGY

The study used a quantitative, cross-sectional, descriptive survey design. The questionnaire was adapted from the SERVQUAL instrument developed by Parasuraman et al. (1988) and contextualised for retail banking. The design is appropriate for comparing customer expectations with perceptions and for identifying service-quality shortfalls at the dimension and attribute levels.

The instrument contained four sections. The first collected demographic information and identified the respondent's primary bank, defined as the bank with which the respondent most frequently conducted transactions. The second measured expectations through 20 statements describing an ideal bank. The third measured perceptions through 20 corresponding statements referring to the respondent's primary bank. The fourth measured general satisfaction through 15 statements, but those responses fall outside the scope of the present gap analysis.

Expectation and perception items were rated on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). The paired-item structure enabled a direct comparison between the quality respondents expected and the quality they perceived. All five dimensions were represented by four items, producing an equal item count across dimensions. The questionnaire was administered in Macedonian. Participation was voluntary and anonymous, and respondents were informed about the purpose of the study before completing the survey.

The questionnaire preserved the original five-dimensional SERVQUAL structure and the paired expectation-perception format. Adaptation was limited to contextual modifications intended to reflect contemporary retail-banking terminology and practices in North Macedonia. The instrument was translated into Macedonian and reviewed by two academics with expertise in services marketing and banking. Their feedback resulted in minor wording revisions aimed at improving contextual relevance, linguistic clarity, and respondent comprehension. No formal back-translation procedure or pilot study was conducted, which should be considered when interpreting the findings. At the end of 2025, the banking sector in North Macedonia comprised 13 banks, while total banking-system assets reached MKD 934.656 billion (Macedonian Banking Association, 2026). The sector is characterized by a relatively high degree of concentration. Evidence based on 2024 banking-system data indicates that five banks collectively accounted for approximately 82% of total banking-system assets (Qerimi & Bekteshi, 2025). Banks were classified as "large" or "small/medium" based on their share of total banking-system assets. Following the classification reported by Qerimi and Bekteshi (2025), the category of large banks included the five institutions that collectively accounted for approximately 82% of total banking-system assets, while the remaining banks were grouped into the small/medium-bank category. Of the 196 respondents, 112 (57.1%) reported a large bank as their primary bank, while 84 (42.9%) reported a small or medium-sized bank. This institutional structure is relevant to the interpretation of the present findings, as most respondents were customers of banks belonging to the large-bank category. Consequently, the results largely reflect customer experiences with institutions that serve a substantial share of the retail banking market in North Macedonia.

Nevertheless, because the sample was not proportionally stratified by individual banks or bank-size group, the findings should not be interpreted as institutionally representative or used to compare or rank individual banks.

Table 2. Sample characteristics

Characteristic	Number	Percentage
Male	102	52.0%
Female	94	48.0%
Age		
20-45 years	128	65.3%
46-65 years	65	33.2%
Over 65 years	3	1.5%
Total	196	100.0%

Source: Author's original research (2025)

The questionnaire was distributed electronically through social media and email to bank customers in North Macedonia. Data collection took place in December 2025, and 196 complete questionnaires were retained for analysis. The recruitment procedure produced a non-probability sample. The results are therefore suitable for exploratory and managerial diagnosis, but they should not be statistically generalised to all bank customers in North Macedonia.

The sample included customers of multiple banks and was not designed to compare individual

institutions. Table 2 reports on the available demographic characteristics.

All calculations were based on the underlying item means and then rounded to two decimal places for reporting. Consequently, a displayed gap may differ by 0.01 from the simple subtraction of two already-rounded column means.

The manuscript reports descriptive differences only. The analysis available for this study consisted of aggregated item means; therefore, internal-consistency coefficients, paired-sample tests, confidence intervals, effect sizes, and factor analysis could not be estimated. No claims of statistical significance are made.

4 RESULTS

Customers reported consistently high expectations and substantially lower perceptions of actual service performance. Across all 20 attributes, the unweighted mean expectation was 4.37, and the mean perception was 2.88, producing an overall gap of -1.49. Expectations were positioned well above the scale midpoint, whereas perceptions remained below 3.00 on average. Every dimension and every evaluated attribute recorded a negative gap. The pattern is therefore systematic rather than driven by one isolated service failure. Table 3 presents the complete item-level results.

Table 3. Item-level expectations, perceptions, and service quality gaps

No.	Service attribute	Perception	Expectation	Gap
Tangibility				
1	State-of-the-art equipment	3.21	4.18	-0.97
2	Visually attractive physical facilities	3.18	4.19	-1.01
3	Employees are easily accessible to customers	3.09	4.32	-1.23
4	Visually attractive service-related materials	3.27	4.37	-1.10
Mean for tangibility		3.19	4.27	-1.08
Reliability				
5	Service is delivered within the promised time	2.85	4.41	-1.56
6	Sincere interest is shown in resolving customer problems	2.75	4.42	-1.67
7	Service is performed correctly at the first attempt	2.75	4.50	-1.75
8	The bank operates without errors	2.66	4.46	-1.80
Mean for reliability		2.75	4.45	-1.70

No.	Service attribute	Perception	Expectation	Gap
Responsiveness				
9	Customers are informed exactly when service will be performed	2.86	4.45	-1.59
10	Employees provide prompt service	2.86	4.40	-1.54
11	Employees are always willing to help customers	2.76	4.36	-1.60
12	Employees are never too busy to respond to customer requests	2.67	4.37	-1.70
Mean for responsiveness		2.79	4.40	-1.61
Assurance				
13	Employee behavior inspires customer confidence	2.63	4.31	-1.68
14	Customers feel secure when conducting transactions	3.20	4.35	-1.15
15	Employees are consistently courteous	2.70	4.40	-1.70
16	Employees have the knowledge required to answer questions	2.78	4.43	-1.65
Mean for assurance		2.83	4.37	-1.55
Empathy				
17	Customers receive personal and individual attention	2.70	4.37	-1.67
18	Operating hours are convenient for customers	3.15	4.33	-1.18
19	The bank gives priority to customer interests	2.70	4.36	-1.66
20	Employees understand customers' specific needs	2.77	4.32	-1.55
Mean for empathy		2.83	4.35	-1.52

Source: Author's original research (2025)

Reliability recorded the highest expectation mean (4.45) and the largest negative gap (-1.70). Customers strongly expect banks to fulfil promises, resolve problems, perform services correctly at the first attempt, and operate without errors. The perception mean of 2.75 indicates that these core expectations were not adequately met in the reported customer experience. Responsiveness showed the second-largest gap (-1.61), reflecting weaknesses in speed, status communication, willingness to help, and employee availability. Assurance (-1.55) and empathy

(- 1.52) also fell substantially below expectations, indicating deficiencies in confidence, courtesy, competence, individual attention, and understanding of customer needs. Tangibility produced the smallest gap (-1.08). Customers therefore evaluated facilities, equipment, access, and service materials more favourably than operational and interpersonal aspects. The gap nevertheless remained negative, so tangibility represents a relative strength rather than evidence that expectations were fully met.

Table 4. Service quality gaps by SERVQUAL dimension

Dimension	Perception	Expectation	Gap
Tangibility	3.19	4.27	-1.08
Reliability	2.75	4.45	-1.70
Responsiveness	2.79	4.40	-1.61
Assurance	2.83	4.37	-1.55
Empathy	2.83	4.35	-1.52

Source: Author's original research (2025)

Table 5. Largest and smallest item-level expectation-perception gaps

Service attribute	Expectation	Perception	Gap
The bank operates without errors	4.46	2.66	-1.80
Service is performed correctly at the first attempt	4.50	2.75	-1.75
Employees are never too busy to respond to customer requests	4.37	2.67	-1.70
Employees are consistently courteous	4.40	2.70	-1.70
Employee behavior inspires customer confidence	4.31	2.63	-1.68
State-of-the-art equipment	4.18	3.21	-0.97
Visually attractive physical facilities	4.19	3.18	-1.01
Visually attractive service-related materials	4.37	3.27	-1.10
Customers feel secure when conducting transactions	4.35	3.20	-1.15
Operating hours are convenient for customers	4.33	3.15	-1.18

Note: The table reports the five largest and five smallest negative gaps, ranked from item-level means.

Source: Author's original research (2025)

The largest shortfall concerned error-free service delivery (-1.80), followed by performing the service correctly at the first attempt (-1.75). These are fundamental execution criteria rather than peripheral preferences, which makes their position at the bottom of the ranking particularly important.

Employee availability and behavior also generated severe gaps. Respondents reported that employees were too busy to respond (-1.70), were not consistently courteous (-1.70), and did not

inspire the expected level of confidence (-1.68). The results therefore connect operational unreliability with a weaker interpersonal experience. The smallest gaps concerned modern equipment (-0.97), the appearance of physical facilities (-1.01), service materials (-1.10), transaction security (-1.15), and convenient operating hours (-1.18). These attributes still underperformed expectations, but they were evaluated more favourably than accuracy, availability, courtesy, and problem ownership.

Table 6. Gap-based managerial priorities

Priority	Evidence from the gaps	Recommended managerial response
1 Immediate	Reliability (-1.70); error-free delivery (-1.80); first-time accuracy (-1.75)	Map failure points; establish first-time-right controls; monitor errors, rework, and missed deadlines; assign process ownership.
2 High	Responsiveness (-1.61); employee availability (-1.70)	Set response-time standards; review staffing and workload; provide proactive status updates; strengthen service recovery.
3 High	Assurance (-1.55) and empathy (-1.52)	Develop technical explanation, courtesy, listening, complaint handling, and individualized communication skills.
4 Maintain and integrate	Tangibility (-1.08)	Maintain facilities and technology, but evaluate them by their contribution to accuracy, speed, transparency, and customer support.

The age group comparison provides additional descriptive insight into variation in reported service-quality gaps. Among respondents aged 20–45 years, reliability recorded the largest negative gap (-1.79), followed by responsiveness (-1.68) and assurance (-1.60). Among respondents aged 46–65 years, empathy showed

the largest negative gap (-1.60), while reliability and assurance both recorded gaps of -1.50. Results for respondents older than 65 years require caution because this category included only three participants (N=3). Accordingly, the values reported for this group in Table 7 are retained solely as descriptive information and

should not be interpreted as evidence of a distinctive age-related pattern. Overall, the observed differences between age groups are

descriptive, and no claims regarding statistical significance or age effects are made.

Table 7. SERVQUAL Gaps by Age

Dimension	20-45			46-65			Over 65		
	Perception	Expectation	Gap	Perception	Expectation	Gap	Perception	Expectation	Gap
Tangibility	3.19	4.31	-1.12	3.17	4.19	-1.02	3.15	4.2	-1.05
Reliability	2.71	4.5	-1.79	2.8	4.3	-1.5	2.8	4.78	-1.98
Responsiveness	2.82	4.5	-1.68	2.62	4.11	-1.49	2.69	4.39	-1.7
Assurance	2.8	4.4	-1.6	2.94	4.44	-1.5	3.4	4.5	-1.1
Empathy	2.83	4.33	-1.5	2.9	4.5	-1.6	2.9	4.1	-1.2

Source: Author's original research (2025)

Table 8. SERVQUAL Gaps by Gender

Dimension	Male			Female		
	Perception	Expectation	Gap	Perception	Expectation	Gap
Tangibility	3.15	4.19	-1.04	3.18	4.31	-1.13
Reliability	3.1	4.72	-1.62	2.71	4.5	-1.79
Responsiveness	2.69	4.24	-1.55	2.82	4.5	-1.68
Assurance	3.12	4.6	-1.48	2.7	4.33	-1.63
Empathy	2.8	4.23	-1.43	2.83	4.45	-1.62

Source: Author's original research (2025)

The gender-based analysis revealed a consistent pattern across all SERVQUAL dimensions. Female respondents reported larger negative gaps than male respondents across all dimensions, although both groups identified the same hierarchy of service quality strengths and weaknesses. Reliability remained the dimension with the largest negative gap, recording values of -1.62 among male respondents and -1.79 among female respondents. Similar patterns were observed for responsiveness, assurance, and empathy, where female respondents also reported larger negative gaps. The smallest gaps for both groups were found in the tangibility dimension. Female respondents reported a tangibility gap of -

1.13 compared with -1.04 among male respondents, indicating that physical facilities, equipment, and visual aspects of banking services were evaluated more favourably than operational and interpersonal aspects. However, because the study was not designed to test group differences statistically, these findings should be interpreted as observed differences within the sample rather than evidence that gender determines service quality evaluations. Despite differences in gap magnitude, both groups identified reliability and responsiveness as the dimensions requiring the greatest managerial attention, while tangibility remained the comparatively strongest dimension.

Table 9. SERVQUAL Gaps by bank size

Dimension	Large bank			Small/medium		
	Perception	Expectation	Gap	Perception	Expectation	Gap
Tangibility	3.11	4.2	-1.09	3.1	4.18	-1.08
Reliability	2.69	4.29	-1.6	2.9	4.75	-1.85
Responsiveness	2.68	4.5	-1.82	2.9	4.23	-1.33
Assurance	2.83	4.32	-1.49	2.8	4.43	-1.63
Empathy	2.98	4.41	-1.43	2.75	4.4	-1.65

Source: Author's original research (2025)

Table 9 presents SERVQUAL gap scores according to bank size. The results reveal notable differences in customer perceptions across large and small/medium banks. While tangibility recorded almost identical gaps in both groups (-1.09 and -1.08), more substantial differences emerged in the remaining dimensions. Customers of small and medium-sized banks reported the largest gap in reliability (-1.85), indicating stronger concerns regarding service accuracy, fulfilment of promises, and error-free service delivery. In contrast, customers of large banks reported the greatest gap in responsiveness (-1.82), suggesting dissatisfaction with service speed, employee availability, and communication regarding service completion. Small and medium-sized banks also recorded larger negative gaps in assurance (-1.63) and empathy (-1.65) than large banks (-1.49 and -1.43, respectively), indicating lower perceived performance in employee competence, courtesy, confidence-building behavior, and individualized customer attention. Despite these differences, reliability and responsiveness emerged as the most problematic dimensions across both bank categories. The descriptive results indicate different gap profiles across bank-size categories. Because no inferential testing was conducted, these patterns should be interpreted as observed differences within the sample rather than evidence of systematic differences between bank categories.

5 DISCUSSION

The most important pattern revealed by the analysis is the gap between visible modernization and experienced service reliability. Tangibility emerged as the comparatively strongest SERVQUAL dimension, whereas reliability recorded the largest negative gap. Customers therefore evaluated physical facilities, equipment, and service-related materials more favourably than the accuracy, dependability, and timeliness of service delivery.

This modernization-reliability paradox is particularly important in banking because customer trust depends primarily on consistent

service performance. A modern branch, sophisticated digital platform, or advanced technology may create a favourable first impression, but repeated errors, missed deadlines, and unresolved problems can quickly undermine confidence. Tangibility can support service quality, but it cannot substitute for reliable execution.

The results are consistent with earlier evidence from North Macedonia, where reliability was identified as the most important dimension of banking service quality (Yzeiri Baftijari et al., 2020). They also align with banking-specific service-quality frameworks that emphasize transaction accuracy, fulfilment of promises, responsiveness, and interaction quality as central determinants of customer evaluations (Avkiran, 1994; Bahia & Nantel, 2000; Aldlaigan & Buttle, 2002; Karatepe et al., 2005). More recent studies further demonstrate that reliability and responsiveness remain critical drivers of customer satisfaction, loyalty, relationship quality, and brand equity despite continuing advances in digital banking and financial technologies (Ayinaddis et al., 2023; Yesmin et al., 2023; Sreejesh, 2024; Sharma et al., 2024). The present findings therefore support the argument that technological modernization alone is insufficient when operational reliability, timely service delivery, and customer-facing processes fail to meet customer expectations.

Regional evidence provides further support for this interpretation. Savić and Veselinović (2019), using a modified SERVQUAL model among bank customers in Central Serbia, found that service-quality dimensions were closely associated with customer satisfaction and loyalty, with empathy showing the strongest relationship with satisfaction and responsiveness with loyalty. Their findings also showed tangibility to be comparatively less influential, reinforcing the importance of interpersonal and process-related aspects of banking services. Evidence from a Central and Eastern European retail-banking context similarly indicates that perceived service quality contributes to customer satisfaction and, indirectly, to loyalty through the customer experience (Pisnik et al., 2016). Taken together with the present results, these studies suggest that competitive banking performance depends not only on visible modernization and physical

infrastructure, but also on the quality, responsiveness, and relational value experienced by customers during service delivery.

The comparison by bank size indicates that physical service attributes were evaluated relatively similarly across institutions, whereas more noticeable differences emerged in operational and interpersonal dimensions. Customers of small and medium-sized banks reported larger reliability gaps, whereas customers of large banks reported larger responsiveness gaps. Given the descriptive nature of the study, these findings should be interpreted as observed differences within the sample rather than evidence of systematic differences between bank categories. Nevertheless, the results suggest that customer evaluations are shaped more by service execution than by physical infrastructure alone.

Reliability carries particularly high stakes in financial services. Customers entrust banks with payments, savings, loans, personal information, and contractual obligations. Service failures may generate financial loss, administrative burden, uncertainty, and reputational damage. Consequently, the reliability gap identified in this study signals more than customer dissatisfaction; it may also indicate a weakening of customer trust.

Responsiveness further intensifies this challenge. When customers receive limited information regarding the status of their requests, uncertainty increases even when services are eventually completed. Prompt communication cannot correct an inaccurate transaction, but it can reduce perceived risk, demonstrate accountability, and lessen feelings of neglect.

Assurance and empathy also recorded substantial negative gaps, confirming that customer experience depends on more than operational systems and technology. Customers expect employees to explain complex products clearly, respond confidently, remain courteous, and demonstrate an understanding of individual circumstances. Although standardization is necessary for compliance and efficiency, excessive standardization may create an impersonal service experience. Empathy does not require employees to circumvent procedures; rather, it requires them to understand customer concerns, explain available solutions, and adapt

communication to different levels of financial and digital literacy. Previous research has shown that service quality is closely associated with satisfaction, relationship quality, behavioral intentions, loyalty, and brand equity (Yesmin et al., 2023; Sreejesh, 2024). The gaps identified in the present study may therefore have implications that extend beyond individual transactions, potentially affecting the long-term customer-bank relationship.

Overall, the findings suggest that customer dissatisfaction originates primarily from service-execution shortcomings rather than from deficiencies in banking infrastructure or technology. Future quality-improvement initiatives should therefore focus on process reliability, employee responsiveness, effective communication, and customer interaction rather than on visible modernization alone.

6 MANAGERIAL IMPLICATIONS

The first managerial priority is operational reliability. Banks should track transaction errors, repeated corrections, missed completion dates, and first-contact resolution. Each failure should be traced to its source - technology, procedure, workload, communication, or insufficient training - and assigned to the responsible process owner.

Second, banks should define realistic service-completion standards and communicate them clearly. Customers should know when a request is expected to be completed and should receive proactive notification when a delay occurs. Silence converts a process delay into a trust problem.

Third, service recovery should be redesigned around ownership. Customers should not be repeatedly redirected between employees or departments. A complaint or service failure should remain assigned to a named employee or unit until it is resolved, verified, and communicated to the customer.

Fourth, employee development should combine technical competence with communication skills. Staff need to explain fees, interest, documentation, security procedures, and digital services in clear language. Training should also cover active listening, emotional self-control, complaint handling, and communication with customers who have different levels of financial and digital literacy.

Fifth, banks should implement a continuous customer-feedback dashboard. A concise SERVQUAL-based instrument can be administered periodically across branches and digital channels, with results compared by dimension, customer segment, location, and period. The purpose should be to verify whether corrective action reduces the largest gaps, not merely to collect satisfaction scores as an administrative formality.

Finally, investment in facilities and technology should continue, but it should be evaluated by the service outcome it enables. A modern system creates value only when it reduces errors, accelerates response, improves transparency, and makes employees more capable of helping customers. The central management question is not whether the bank looks modern, but whether modernization makes the service more dependable.

7 LIMITATIONS AND FUTURE RESEARCH

The study has four principal limitations. First, the non-probability electronic sample cannot be treated as statistically representative of all bank customers in North Macedonia. Second, the analysis relies on self-reported evaluations that may be influenced by recent experiences and individual interpretation. Third, the cross-sectional design captures one period and cannot identify changes over time. Fourth, only descriptive mean gaps are reported; statistical significance, internal consistency, confidence intervals, effect sizes, and dimensional validity were not tested in this manuscript. Future research should analyse the complete respondent-level dataset and report Cronbach's alpha or omega coefficients, paired-sample tests or appropriate non-parametric alternatives, confidence intervals, and effect sizes. Exploratory and confirmatory factor analysis could examine whether the original five-dimensional SERVQUAL structure remains valid in the contemporary North Macedonian banking context. A repeated survey would permit trend analysis and evaluation of corrective actions. Further studies should integrate branch, mobile, and internet banking quality; examine differences among demographic, financial-literacy, and

digital-literacy groups; and compare results across banks and Western Balkan markets using probability-based or stratified samples where feasible. Although exploratory comparisons by gender and age group were conducted, future research should employ inferential statistical techniques to determine whether the observed differences are statistically significant. Future research should extend the descriptive comparison of large and small/medium banks by using inferential methods and probability-based samples; it should examine digital versus branch-oriented users and investigate whether demographic characteristics moderate the relationship between expectations, perceptions, and overall service evaluations.

8 CONCLUSIONS

This study examined the gap between customer expectations and perceptions of the quality of retail banking services in North Macedonia. Its central finding is direct: customers evaluated tangible aspects of banking more favourably than reliability and interpersonal service delivery. All five SERVQUAL dimensions recorded negative gaps. Reliability was the weakest dimension (-1.70), followed by responsiveness (-1.61), assurance (-1.55), empathy (-1.52), and tangibility (-1.08). At the item level, the most serious shortfalls concerned error-free delivery, correct performance at the first attempt, employee availability, courtesy, and confidence-inspiring behavior.

The research questions are answered consistently. Expectations were high, perceptions were substantially lower, and the largest weaknesses were concentrated on operational execution and employee-customer interaction. Facilities and equipment represented relative strength, but they did not compensate for deficiencies in accuracy, speed, ownership, and personal attention. The managerial message is therefore clear. Banking service quality will not improve through appearance alone. It improves when promises are realistic and kept, transactions are correct, customers are informed, and someone takes responsibility when a problem occurs. Modernization becomes meaningful only when customers experience it as reliability.

REFERENCES

- Aldlaigan, A. H., & Buttle, F. A. (2002). SYSTRA-SQ: A new measure of bank service quality. *International Journal of Service Industry Management*, 13(4), 362-381. <https://doi.org/10.1108/09564230210445041>
- Asubonteng, P., McCleary, K. J., & Swan, J. E. (1996). SERVQUAL revisited: A critical review of service quality. *Journal of Services Marketing*, 10(6), 62-81. <https://doi.org/10.1108/08876049610148602>
- Avkiran, N. K. (1994). Developing an instrument to measure customer service quality in branch banking. *International Journal of Bank Marketing*, 12(6), 10-18. <https://doi.org/10.1108/02652329410063223>
- Ayinaddis, S. G., Taye, B. A., & Yirsaw, B. G. (2023). Examining the effect of electronic banking service quality on customer satisfaction and loyalty: An implication for technological innovation. *Journal of Innovation and Entrepreneurship*, 12, Article 22. <https://doi.org/10.1186/s13731-023-00287-y>
- Bahia, K., & Nantel, J. (2000). A reliable and valid measurement scale for the perceived service quality of banks. *International Journal of Bank Marketing*, 18(2), 84-91. <https://doi.org/10.1108/02652320010322994>
- Brady, M. K., & Cronin, J. J., Jr. (2001). Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. *Journal of Marketing*, 65(3), 34-49. <https://doi.org/10.1509/jmkg.65.3.34.18334>
- Cronin, J. J., Jr., & Taylor, S. A. (1992). Measuring service quality: A reexamination and extension. *Journal of Marketing*, 56(3), 55-68. <https://doi.org/10.1177/002224299205600304>
- Grönroos, C. (1984). A service quality model and its marketing implications. *European Journal of Marketing*, 18(4), 36-44. <https://doi.org/10.1108/EUM0000000004784>
- Karatepe, O. M., Yavas, U., & Babakus, E. (2005). Measuring service quality of banks: Scale development and validation. *Journal of Retailing and Consumer Services*, 12(5), 373-383. <https://doi.org/10.1016/j.jretconser.2005.01.001>
- Ladhari, R. (2009). A review of twenty years of SERVQUAL research. *International Journal of Quality and Service Sciences*, 1(2), 172-198. <https://doi.org/10.1108/17566690910971445>
- Macedonian Banking Association. (2026). *Macroeconomic data and the banking system of the Republic of North Macedonia*. Retrieved August 3, 2026, from <https://mba.mk/w/en/medbsrnm/>
- Naumovska-Saveska, M., Tomovska Misoska, A., Efremov, K., & Petrovska, I. (2021). The impact of service quality and service characteristics on customer satisfaction in the North Macedonian banking sector. *Bankarstvo*, 50(2), 34-48. <https://doi.org/10.5937/bankarstvo2102034N>
- Newman, K. (2001). Interrogating SERVQUAL: A critical assessment of service quality measurement in a high street retail bank. *International Journal of Bank Marketing*, 19(3), 126-139. <https://doi.org/10.1108/02652320110388559>
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50. <https://doi.org/10.1177/002224298504900403>
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Pisnik, A., Dlačić, J., & Milfelner, B. (2016). The importance of perceived service value in retail banking services. *Market-Tržište*, 28(2), 191-212.

- Qerimi, S., T., & Bekteshi, A. (2025). The efficiency of the banking system in the Republic of North Macedonia. *Trends in Economics, Finance, and Management Journal*, 7(1), 67-78. <https://doi.org/10.69648/OHGT5849>
- Savić, J., & Veselinović, N. (2019). Measuring clients' attitudes about banking services quality using the SERVQUAL model. *Economic Themes*, 57(2), 201–217. <https://doi.org/10.2478/ethemes-2019-0012>
- Sharma, V., Jangir, K., Gupta, M., & Rupeika-Apoga, R. (2024). Does service quality matter in FinTech payment services? An integrated SERVQUAL and TAM approach. *International Journal of Information Management Data Insights*, 4(2), Article 100252. <https://doi.org/10.1016/j.jjime.2024.100252>
- Sreejesh, S. (2024). Integrated banking channel service quality (IBCSQ): Role of IBCSQ for building consumers' relationship quality and brand equity. *Journal of Retailing and Consumer Services*, 76, Article 103616. <https://doi.org/10.1016/j.jretconser.2023.103616>
- Yesmin, M. N., Hoque, S., Hossain, M. A., Jahan, N., Fang, Y., Wu, R., & Alam, M. J. (2023). SERVQUAL to determine relationship quality and behavioral intentions: An SEM approach in retail banking service. *Sustainability*, 15(8), 6536. <https://doi.org/10.3390/su15086536>
- Yzeiri Baftijari, A., Ismaili, R., & Aziri, B. (2020). Client expectations and preferences for service quality dimensions in bank services in Republic of North Macedonia. *Economic Vision*, 7(13-14), 13-21