

CUSTOMERS' PERCEPTION TOWARDS  
SERVICE QUALITY:  
*A CASE OF CRDB Bank, MOROGORO*

**By**  
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A Dissertation submitted in partial/ Fulfillment of the requirement for the Degree  
of Masters of Science in Entrepreneurship (MSc. ENTRP) of Mzumbe University.

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**APPROVAL SHEET FOR MASTER'S DEGREE  
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**To Faculty Board,**

I am submitting herewith a thesis written by **MASOUD A. MGONGOLWA** Titled: **“CUSTOMERS’ PERCEPTION TOWARDS SERVICE QUALITY: A CASE OF CRDB bank, MOROGORO”**. I recommend that it be accepted in partial fulfilment of the requirements for the Masters Degree of Science in Entrepreneurship (ENTRP).

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**MR. Robert Makorere / Major Supervisor**

We have examined this dissertation and recommend it for acceptance.

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I, Masoud Athuman.Mgongolwa, declare that, this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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## **ABSTRACT**

This study was aimed to assess customers' perception towards service quality especially CRDB bank at Morogoro Municipal, Tanzania. The study sample size was 70. The model used was Service Quality Model. The study employed simple random sampling technique to arrive 40 customers, while purposive sampling technique was used to arrive 30 bank employees. Questionnaire, observation and interview were used to capture primary data while, documentary review technique was used to capture secondary data. Moreover, factor analysis technique was carried out to undertake objective one, while descriptive statistic was employed to analyze objective two and objective three. The results shows that, customers want to be served quickly, nice treatment from the employees, safety and security when they are depositing or drawing their money, reliability of service by having buck up generator for 24 hours ATMs Machines. Also customers want to be listened, helped unconditionally as well as being served with happy staffs. Moreover, customers are satisfied at high level, in general term, CRDB bank is performing close to the expectation of its customers and doing better in 'tangibles' aspect. However, the study recommended the banks' management and staffs that, CRDB bank has to continue maintaining the status in terms of its building, pamphlets and brochures, employees appearance, furniture and even improving more to retain banks' customers. Also, internet network and ATMs machines has to be sufficient and reliable. Also the bank has to increase number of employees as well as ensuring all teller windows effectively works and there is high security full time a day. Lastly the stepping stone study, ends up by providing the recommendation for further studies, to carry out the related study especially on 'types of perception' regarding that; Customers are different and their differences are also different (customer heterogeneity). Therefore the differences that exists between customers makes customers to perceive the same service differently, and thus, the results of perception between customers is not always exactly the same.

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## **CHAPTER ONE**

### **1.0 Introduction**

This chapter provides background of the organization in the first sub-section; the second sub-section provides background of the research study, while the third sub-section describes statement of the problem. Forth sub-section is research objectives, and the sixth sub-section describes significances of the study.

### **1.1 Background of the organization**

CRDB Bank was incorporated on 28<sup>th</sup> june1996.The incorporation followed a successful subscription of shares by individual corporate institution and DANIDA investment fund The first shareholders meeting was held on September 1996, and seven share holders were elected to be members of the board of Directors of CRDB(1996) limited. The other three members of the board were appointed by DANIDA investment fund while the managing Director and deputy managing director becomes ex- official members of the Board as per Banks memorandum and Article of association. In July 1999, the Privatized bank changed its name from CRDB (1996) Limited to CRDB Bank Limited for strategies reasons. CRDB is not an abbreviation. As at November 2008, CRDB Bank had 56 branches in all regions of Tanzania mainland and two mobile branches. On 28<sup>th</sup> December 2007, CRDB bank limited changed its name to CRDB Bank Public Limited Company. The changes in the Article was necessitated by the requirements of the new companies Act Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service (Heineke, 1997). The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate (Fornell, 1992). The level of satisfaction can also vary depending on other options the customer may have and

other products against which the customer can compare the organization's products or services. Because satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement. Most organizations are striving for customers to increase their sales and therefore realize profit maximization. With this goal, most organizations have crafted strategies to achieve this goal. One of the strategies is to satisfy their customers. In banking Industry this strategy has been recognized as the potential benefits of using customer care as a tool to drive cultural change towards a more customer-focused approach throughout the banking Industry. In other words, customer care is a crucial element of business success. Every contact your customers have with your business is an opportunity for you to improve your reputation with them and increase the likelihood of further sales. Due to the changing and competitive environment, financial services organizations have become increasingly marketing oriented (Kotler, 2000). This has led to banks development of strategic plans, which respond to customer's needs, attitudes and behavior. It has increasingly become cheaper to retain existing customers through provision of excellent service and development of long-term relationships. Major differences among the banking industries is found in customer care and good services provided by the bank, the banking sector is now and then improving the customer care and services due to competitive environment, where the need to improve the investment is needed. Organization exist because of customer, .if there is no customer also there is no organization. As the customer becoming more and more demanding service providers have to make efforts to know the customer need. In this situation the organization must make sure the service is good and the organization knows the customer. The marketing of financial services has developed rapidly over recent years. Management and marketing skills are considered very crucial in this period of competitive world of financial services. Without a good reputation for understanding customer problems and requirements a bank can lose existing customers and fail to attract at least its market share of new business. Typical research into the image and reputation of a bank, compared with its major competitors who involve in exploring the responses and perceptions between key customer and non-customer groups to some of these topics;

- a. The bank's ability to make quick decisions

- b. Ability of the bank to administrate efficiently
- c. The degree to which the bank is seen to be helpful and friendly
- d. The professional level of skill and objectiveness exhibited by the bank when giving financial advice.
- e. Appreciation of customer problems shown by the bank and public perception of the degree of support they get when times are hard.
- f. Adaptability of services, approachability and general convenience factors both in terms of opening hours and branch location.

## **1.2 Background of the research study**

The background of the research study is a result of the ambiguousness and abstract nature of the customers' perception towards service quality and the actual manifestation of the state of satisfaction which has stimulated the researcher to carry out the research study. And this state of satisfaction depends on the number of both psychological and physical variables which correlates with satisfaction behavior such as return and recommend rate. Moreover, satisfaction occurs when customer's perception meets its expectations (Ahmad and Naser, 2002), though its level may also vary depending on other options that customer may have and so on. Also the attainment of the service quality has become a pivotal concern of 1980's (Parasuraman *et al.*, 1985). This was partly attributed to by the emergency of globalization and trade liberalization polices in the world, which along with them rendered the business environment competitive.

In the competing world of business organizations most of the companies would try every method to penetrate the market and absorb the market share as large as possible. Service quality has become one of the basic tools in grappling with the prevailing business environment.

Customers on the other hand have become more alert and conscious of the existing business environment as they tend to prioritize quality in determining where to acquire a certain service, quality and its price. With this, management of an organization should focus on improving service quality deliver for their better

survival in the competitive business environment. Identification of the customers' needs is very important, due to the fact that customers are the kingpin and fuels of the engines of any organization as without them the wheels of the organization cannot move about in the economy (Schumpeter, 1945).

In order for the organization to meet the perceptions of the customers, the service quality should be high. And this can only be possible where the top management meet the needs of its employee (Mintzberg, 1967). Offering higher service quality has the advantage of preserving customer loyalty through satisfactions; increasing opportunity for cross selling and expansions of the business, and employee benefits in terms of increasing jobs as the organizations grows (Wiley, 1995).

### **1.3 Problem statement**

Most organizations have failed to deliver perceived service quality as required by the customers (Gronroos, 1990). This ultimately has contributed to customer dissatisfaction (Parasuraman, 1990). Poor services offered to customers lead to low commitment, dissatisfaction and disloyalty on service industry (Gabbolt and Hogg, 1997).

Service quality is very crucial for promoting customer loyalty in relation to persistence strong competition in banking industry in Tanzania. Literature shows that there has been a great movement of customers from one bank to another (Gabriel, 2005). This movement has been stimulated by customers' perceptions towards services quality delivered by respective organization (Gabriel, 2005). As the result, level of competition in the banking sector specifically over potential and beneficiaries customers has been increasingly tremendously (Parasuraman, 1990). Thus, each bank strives to provide better service to retain and attract customers and build long term relationship. In so doing, the banks need to be 'customer oriented' that is to identify the right needs of the customers and identify the factors of services quality as perceived by their customers.

The study therefore intended to determine customers' perception towards services quality of an working organization and further recommended on how the banks can

deliver services quality as well as to achieve customers retention, and enhance organization's profit

#### **1.4 Objective of the study**

##### **1.4.1 General Objective**

The general objective of this study was to assess customers' perception towards service quality in banking industry in Tanzania, specifically CRDB Bank.

##### **1.4.2 Specific Objectives**

- i. To describe factors constitute customers' perception of a service quality in banking industry in Tanzania.
- ii. To examine the extent to which customers are satisfied with the banking services offered.
- iii. To identify possible bank's strategies that can meet the needs of the customers.

#### **1.5 Research Questions**

In the light of the aforementioned research objectives, this study addresses the following research questions.

- i. What are factors constitute customers perception of service quality in banking industry in Tanzania?
- ii. To what extent does the customers satisfied with the banking services offered?
- iii. What are the possible bank's strategies that can meet the needs of the customers?

## **1.6 Significance of the study**

- i. Financial institutions have faced with strong competition. This study had logically recommended how financial institution can formulate customer care policy in order to compete adequately
- ii. The study has significance to the banks' management this because they may use the results to formulate good customer care strategies to satisfy their customers
- iii. Academically, the study contributes to the body of knowledge by fulfill the existing gap on customers' perception on services quality. Moreover, the results from this study will form a reference for other researchers who wish to carry out further studies in this area

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the definitions of key concepts and terms related to the study. The first section represents theoretical literature reviews, second section consists of empirical literature reviews and third section consists of conceptual framework of the study

#### **2.2 Theoretical literature review**

This section defines various terms related to the study and also describes the theoretical perspective of the study. The section discusses theories and models concerning customer satisfaction linked to the study.

##### **2.2.1 Definitions of terms**

###### **2.2.1.1 Services quality**

Refers to the difference between customer expectation and his perception, where, Customer expectations are desire or what customer feel service provider should offer, while Customers perception are judgment about actual service by the customers as performed by the service provider

The Gap between customer's expectations of the services and their perceptions of actual service delivered by the organization (Denton, 1996).

The results from the comparison of what customer feel service provider should offer (expectations) with provider actual performance (Lahtinem, 1983)

###### **2.2.1.2 Services**

Refers to a satisfaction or an activity or series of activities of more or less intangible nature that normally, but necessarily, taking place in interactions between the customer and the services provider.

Any act or performance that one part can offer to another that is essentially intangible and does not result in ownership of anything, its product may or may not be tied in the physical product (Kotler, 1997).

Everything which has to be done in order to keep our customers satisfied (Malcolm *et al.*, 1993).

### **2.2.1.3 Customer**

(Parasuraman and Crewel (2000) define customer as an individual or business entity that buys the products (goods and services), meaning that they acquire it and pay for it. This implies that a customer is a person, company, or other entity, which buys goods and services, produced by another person, company, or other entity.

### **2.2.1.4 Perception**

Customers believes concerning the service received

### **2.2.1.5 Tangible**

The appearance of facilities /equipments and frontline employees

### **2.2.1.6 Reliability**

The ability to provide the promised services

### **2.2.1.7 Responsiveness**

The ability and desire to serve the customer promptly and efficiently

### **2.2.1.8 Assurance**

The perceived competency and courtesy and frontline personnel which results in customer confidence and trust.

### **2.2.1.9 Empathy**

The demonstration of willingness to understand and meet the customers unique needs.

### 2.3 SERVQUAL MODEL

The current measurement of perceived quality can be traced to the research of Parasuraman, Zeithaml and Berry (1988). These authors developed SERVQUAL model in 1988 which describes five specific customer satisfaction components: tangibles, reliability, responsiveness, assurance and empathy. Quality was a black box in management and marketing theories (Grummesson, 1993). He went on further and stated that in operations and production management quality has been treated as a production problem from an internal efficiency point of view

It is, however, important that some degree of measurement must take place if any financial service provider is to understand not only the customer's expectations, but also whether the customer feels the organization is meeting those expectations. There are many tools for measurement, each with its advantages, but one of the most frequently used methods is the SERVQUAL questionnaire of which even the researcher uses it.

SERVQUAL questionnaire is a 22 item scale based on six dimensions: tangibles, reliability, responsiveness, assurance, empathy and recovery. Paraguayan *et al.*, (1988) established the first five categories after factor analysis and testing had taken place. Gringos (1988) added the sixth dimension namely: recovery. The question is formatted into 2 pairs of Liker style scales. The first 22 questions seek to measure the customer's expectations of the service and the following 22 aims to measure the perceived level of service provided by the organization. The SERVQUAL questionnaire is felt to be reliable and valid and is used by researchers investigating service quality in many industries. It can be used to track service quality trends and improve service, categorize customers, compare organizations with its competitors, and compare branches of a bank or building society. The limitation of this questionnaire is that it can only be used for current and previous customers as the respondents must have/ had knowledge and experience of the organization to answer the questions. The SERVQUAL tool is not without its criticism, as previously stated, all tools have advantages and disadvantages. The criticisms leveled at SERVQUAL are:

- i. The absence of weighting of the variables which, by their very nature will vary in importance.
- ii. The use of negatively worded statements which can be confusing to customer.
- iii. Apparent repletion of scales ( in the eyes of the respondent )
- iv. The two separate lists of statements
  - v. The number of dimensions being assessed
- vi. The timing of measurement activities before, during or following a service experiences

Zenithal *et al.*, (1991) have acknowledged some these criticisms and provided a number of refinements to SERVQUAL, although it is felt that they are quite limited. It has also been suggested that this type of questionnaire incorporates desired, rather than adequate levels of service expectations. One of the changes that Paraguayan made was to alter the wording on the question to reflect what a customer would expect from an organization claiming to deliver excellent services quality for example, As you can see, changing the slant of the question now enables an organization to see the minimum a customer will expect. These expectations can be compared against current service delivery and allow service gaps to be identified. Of equal importance to measurement is monitoring and organization should ensure that systems are in place to undertake this task. Method of monitoring includes research and evaluation amongst customer and staff using surveys focus groups and discussions. Many organization offer service guarantees and these are monitored to provide key indicator regarding service delivery. For example, Block buster video chain offers some new releases free if, when you visit a store to rent a video, the one you want is unavailable: some companies offer cash compensation if they are unable to resolve an issue within a set timescale. Some organizations offer service guarantees as a permanent part of their service strategy whilst others them tactical promotional tools. The theories highlighted in the theoretical exposition and indeed the literature reviews are just different avenues to the same end in investigating customer's perception of quality services.

### **2.3.1. The direct relationship between Servqual Model and the study**

The researcher's questionnaires as far as this study is concerned, are the products of the SERVQUAL model. That means any data collections, interpretations, presentations of the findings and limitations if any; must have direct relations from this model.

## **2.4 Perceived Service Quality Model**

The perceived service quality model (Gronroos 1982, 1993) the gap analysis model (Parasuraman *et al.*, 1985) and the SERVQUAL instrument (Parasuraman *et al.*, 1986, 1984) is an example of what has been developed in relation to quality. The customer focus of the research into services had a decisive impact on the general approach to quality management. It is the customer who decides what quality is and that is perceived quality that has to be studied.

Quality is an elusive and difficult to define objectively. According to Gummesson (1992), regarding in service there is a humanistic quality approach, at the one extreme stressing customers, personnel, leadership and culture, whereas at the other end lies a technical approach concerning operations management, statistics and methods of measurement. Gummesson divided quality into services, tangibles and software, but he stresses the importance of a total service offering. Lehtinen and Lehtinen (1991) discussed about physical quality, interactive quality and corporate quality, and, on the other hand, about process and output quality. Lehtinen and Lehtinen (1991) divided quality into input and output.

The output consists of total service offering in terms of quality, and the input includes both tangibles and intangibles elements. The output in the form of quality is what the customer in fact pays for, which is to a large extent intangible and may be difficult to quantify (Adam *et al.*, 1995). Service quality is not the slippery, mystical, or amorphous concept it is often thought to be customers will give an institution high mark for its service when it meets or exceeds their service desires. The five dimensions of service performance (tangibles, reliability, responsiveness, assurance and empathy) give direction to the service quality journey. Although these dimensions will be differently important to various market segments, on an overall

basis, they all are important. As a group, they frame the essence of the service quality mandate to be excellent in service, seek to be excellent intangibles, reliability, responsiveness, assurance and empathy (Berry *et al.*, 1989).

Service quality is generally defined as customer perceived quality which stresses the individual's assessment of the value of the total service offering (Gummesson, 1992). Practically, Gronroos (1998) described perceived service quality as the difference between expected service quality and experienced service quality. This has a link to the gap model (Parasuraman *et al.*, 1985) and other service quality models (Bitner, 1990). On the other hand, Berry *et al.*, (1985) divided service quality into two types: regular services and handling of exceptions or problems to ensure that appropriate procedures are taken to deal with inevitable failures.

As regards to service quality, the individual's experience of a service forms the basis of an assessment of its quality. It is great to listen to customers and study their reactions. When purchasing services, customers' attention is often limited to a small number of tangible inputs (Zeithaml, 1984). Physical environment include buildings, offices and interior design affects customer beliefs, attitudes and satisfaction (Zeithaml and Bitner, 2000), and provides an opportunity to tell the 'right' story about a given service (Berry *et al.*, 1989). Matters such as how contact personnel dresses, articulates, writes, designs and presents proposals are likewise not without meaning (Levitt, 1981).

Tangibilizing the intangibles is important, because customers do not usually know what they are getting until they get it (Levitt, 1981). As tangible input, the service personnel represent the service, the organization and the marketers in the customers' eyes.

Zeithaml and Bitner, (1996) argued that the quality management of personnel includes such things as motivating, managing information, training, career planning and recruiting and retaining of right people (Normann, 1991); Zeithaml and Bitner, 1996). It is true that service business is personnel intensive, meaning that quality

supplied to the customer is essentially a result of the way personnel perform (Normann, 1991). Schneider (1990) showed that both employees and customers will experience more positive outcomes when the organization operates with a customer service orientation and management supports it. This may be linked to the external service value within the service-profit chain by Heskett *et al.*, (1994), which described employee satisfaction as the underlying factor in the formation of customer perceived quality.

The other important tangible element is service culture, and by participating in the production process, customers influence and even create perceived service culture (Lethinen, 1985). High levels of intangibility call for image building and maintenance to attain reliance based on reputation and subjective impressions of the service (Cowell, 1998). In the long run, image depends mainly on what the company actually provides, but in the short run, image can be used as a tool for the creation of new reality (Normann, 1991).

#### **2.4.1 The direct relationship between the Perceived Service Quality Model and the study**

The perceived service quality model determinants as far as this study is concern, are the same as those of SERVQUAL model which gives out servqual questionnaire as used by the researcher. That means any data collections, interpretations, presentations of the findings and limitations if any; must have direct relations from this model. The model emphasizes that, it is the customers who decides what quality is or who judges about overall excellence or superiority on the service quality delivered which actually is the main concern of the study.

### **2.5 Empirical Literature Review**

#### **2.5.1 Customer satisfactions**

There are studies found assessing the influence of customer satisfaction. Such studies are, the study done by Gandy (1999) in his survey report on service quality highlights the fact that “banks needs to find a new “modus operandi”. “The focus should be on customer service, customer retention, new channel integration and sales

through service”. In the study done by Jamal *et al.*, (2003), revealed that ‘service quality lead to customer satisfaction and the tangible aspects of service environment have a significant impact in customer satisfaction’.

### **2.5.2 Customer Relationship Management (CRM)**

By making better use of the CRM techniques and strategies banks are better placed to meet customers’ needs and hence customers’ satisfactions. Understanding their customer’s needs and lifestyle enables banks offer the required services in the near future. Crompton *et al.*, (1990) in their article postulate that companies that aim for “zero defections” (keeping every customer they can serve) can make profits rise.

Defection rates are both a measures of loss and poor service quality. Lynn (1984) postulated that the root cause of most service problems is a lack of systematic design and control. The use of blue print can help a service developer not only to identify concerns of the customer but how to organize service systems. Schlesinger, (1991) postulated that ‘for more than 49 years service companies like Mc Donald’s prospered with organizations designed according to the principles of traditional mass production that have a quality focus’.

There is now existence of a substantial body of research on service quality. Different views have been developed regarding customer evaluation of quality and likely dimensions of quality. Blanc and Ngufen (1988) have identified three principal schools of thought:

1. Quality may be implied through the tangible element of the service largely the physical environment
2. Quality can be perceived through contact personnel, their attitudes and behavior
3. Perceived quality may be derived from the service encounter or the actual process of buying the service

Customer perceives quality as a combination of the above and that some services may be more likely to be judged by one method rather than another. Different transactions may be judged by different criteria within the same business.

Pursuance of some standard measuring scale such a SERVQUAL certainly seems the most fruitful line of research to date. However this study may yield a number of useful strategic results, both for financial services sector and also as a basis for further broader research.

### **2.5.3 Perceptions and experiences**

Perceptions refer to customer judgment about actual service performed by the organization (John Wiley and Son, 1995). Redman (1979) in perception postulated that “individuals only react to experiences they perceive and the reaction will depend on the way in which that experience is perceived” According to Redman, no two people will have the identical perception of an experience because people are not identical.

The way person is set to perceive the world depends on past experiences and reflects the individual’s physiological and psychological characteristics as well as the Person’s social environment. A person’s perception of experiences is referred to occasionally as the mental Impression that person has of the experience. Sarabakhsh (1982) stated that ‘people die not perceive things alike and these differences of perception can be misleading in human interaction and communication processes’. Perception can also be misleading in various commercial services. This is true in any kind of transaction including commercial banking services.

### **2.5.4 Quality is intangible**

Klaus (1993) examined the service that encounters between the employees of public enterprises and their clients. The service quality encounters had significant impact upon the efficiency of services organizations and upon their performance as perceive by their clientele and the public. The Klaus research explored what quality meant in face - to- face service encounters and what the determinants of good service quality

delivery were, at railroad ticketing operations. Combinations of technical and functional quality methods were used.

A theoretical framework that aimed for an empirically grounded understanding of servicing counters and their quality as an important microelement of economical and social phenomena was employed. The nature of quality in financial services sector should be viewed in the context of an increasing competitive market place. Customers have become more sophisticated and are influenced as much by good services as they are competitive pricing.

The presence of more banks offers customers a wide choice. The increased range of potential providers also gives customers a wider choice if they were not happy with the service they were getting. In banking the product is hard to distinguish from the service. The product is consumed at the point of service. Normally there are no last minute adjustments before delivery. This call for the need to build measures into the design and delivery of services that will prevent mistakes from happening.

The intangible nature of service makes the delivery of services more important. People have more impact in service industries. Some element of customer service such as speed of respond can be measures easily. The features of financial services products can vary greatly throughout the life of the customer. Managing quality in the financial services sector is difficulty. The successful management of quality brings success. If customers believe that the way in which service is delivered is of high quality it gives a marketing advantage that is hard to beat.

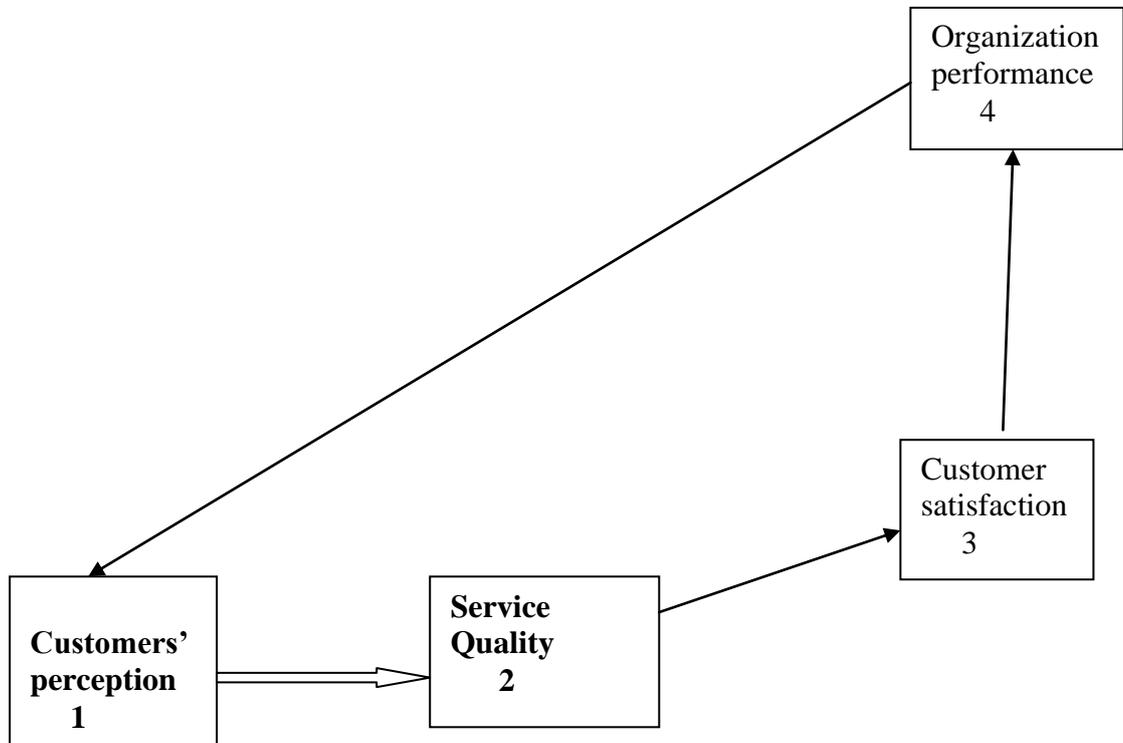
The competitive benefit derived from providing the required service quality result from the fact that such quality can come only from an improvement in every aspect of the business and particularly from those areas where people are involved: training, product knowledge, motivation and attitude. This applies not only to those members of staff who come into contact with customers but also to those who work in the back office and who in the normal run of events never meet a customer. Crawley

concludes by stating that, quality management needs a substantial investment in the business: Staff, suppliers and shareholders.

## **2.6 Conceptual Framework of the study**

The section discusses the interconnection relationships between inter variables, bearing in mind that service quality is about perception. So the service design should be geared at convincing the customer satisfaction. The service design that is customer oriented. In the service industry, there is a need to understand the nature and intricate needs of the target market and how sensitive are customers to the service quality.

**Figure 2.1: Conceptual Framework**



SOURCE: Researcher (2013)

**KEY**

-  Implies; Strong relationship among key variables of the study.
-  Implies; Fair relationship among other variables of the study.

The conceptual framework (figure 2.1) above which has partly adopted from the Service Quality Model, (Parasuraman *et al.*, 1985) illustrates the inter relationship of the variables as far as customers' perception towards service quality is concern. The variables are customers' perception as an independent variable and Service Quality as a dependent variable.

From the researcher's view points, Customers' perception or Independent perception refers to the process of organizing and interpreting sensory impressions in order to give meaning to the environment. However, there are number of factors act to shape

and sometimes distort independent perception. These factors under perception arena can reside in the *perceiver*; in the object, or *target*, being perceived; or in the context of the *situation* in which the independent perception occurs.

**The Perceiver;** when an individual looks at a target and attempts to interpret what s/he sees, the individual's personal characteristics will heavily influence the interpretation. These personal characteristics include attitudes, personality, motives, interests, past experiences, and expectations.

**The Target;** The characteristics of the target being observed can also affect what is perceived as they includes size, sound, motion as well as the relationship of the target to its background also influences independent perception.

**The Situation;** The context in which we see objects or events is also important. The time at which an object is seen can influence attention, as can location, light, heat, color, and any number of other situational factors.

According to the researcher service quality or dependent perception refers to the result of comparison by the customers of the expectations about the service performance by the service providers, and customers' assessment of the actual service delivered/ performance.

Here the quality determination is preceded by comparison of the service expected and its actual delivery, so it is dependent. The confluence approach to service quality is Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

**Tangibles;** The customers' perception on part of tangible aspect includes:

Up to date equipments, for instance computers, mobile CRDB van, security cameras and ATMs machines.

Good looking of physical facilities such as, ATMs rooms' tinted and well painted buildings, and modern furniture.

Well dressed employees, includes modern uniforms under ties which reflect trust, and

Pamphlets and brochures have to be eye catching.

**Reliability;** Again customers judges on the ability of the employees to provide the promised service at right time, caring, neatness, and if the banks report and notes is free from errors.

**Responsiveness;** The customers tries to assess whether the service provider is always willing to help clients, gives service immediate on their demand, also if the organization is not too busy to clients' request.

**Assurance;** The judgment by the customers under assurance is done on whether the organization always takes clients feeling into account, it increases the trusts clients have in them, also clients feel safe working together with them, and if they have enough knowledge to answer clients questions.

**Empathy;** The customers assess whether the organization is demonstrating the willing to assist on their problems, in terms of giving customers special attention to their request, having convenient working hours, and understanding the specific needs of the customers.

Now, if the above five service quality dimension matches to the expectation of the customers, the study expects positive customers' perception towards service quality. Of which, the aspect of 'customer satisfaction and retention' rises.

**Customer satisfaction;** If the perception of the customers is on line with his expectation of the service quality the customers wishes to obtain, automatically such a customer observes 'Satisfaction state' which in turn lead to customer retention. A satisfied customer is ready to pay premium price, can re purchase more and more, and also the customer build strong loyalty and confidence to organization.

**Organization performance;** Under right perception, right service quality that leads to customer satisfaction which in turn leads to increase in the number of customers, increase in organization goodwill and increase in organization profit.

Therefore; High performing organization, means the organization meets its customer's expectations and builds positive perception under right strategies, and thus, there is effective relationship between management, employees and customers as consequences, customers become satisfied and can easily be retained.

Pre-conception for the above framework; Consider a certain assistant who works for two managers (1 and 2) in a certain company. The assistant regularly takes several days to make important decision as evidence manager 1, interprets the assistant is slow, disorganized and afraid to make decisions. Manager 2, with the same assistant interprets the same tendency as evidence that the assistant is thoughtful, thorough, and deliberate.

The first manager would probably evaluate her assistant negatively; the second manager would probably evaluate the person positively. The point is that, none of us sees reality. We interpret what we see and call it reality. And, of course, as the example above shows, we behave according to our perceptions as largely affected by 'social construction'.

The researcher met some respondents from the field whose their results from comparison as far as the services quality offered to them is concern, their reply in the questionnaire was all instruments filled 'inferior', according to researcher such respondents reveal negative dependent perception (objective/unbiased interpretation), BUT when interviewed about the quality the same respondents replied 'superior' as according to researcher such a respondents reveal positive independent perception (subjective/biased interpretation). So this two antagonizing interpretations has caused by the respondent's personal characteristics including; ones behavior, attitudes, personality motives, expectations, interests and experiences.

For instance if someone has chased from working with the bank due to fraud, the chasing can affect his/her interpretation (bias interpretation). Obvious the person's characteristics here is a feeling or attitude of hatred/enmity to that bank of which affects the interpretation (bias), so one's diverge from the truth and become biased to favor his/her independent perception. The someone's or customer's brain is like a 'thick forest' with a great intrinsic secret, the brain has marvelous and complex mechanism none knows what others exactly think about anything, that is, 'a cradle of all thoughts'.

So independent perception is all about knowing the customers' intricate needs and psychological dynamics of his decision making process, something that poses a practical difficulties. Of course this is what explains the fact why customers perceive the same service differently. And dependent perception simply refers to the results of comparisons between expectation and actual performance of the service. Moreover, the researcher's view point on 'two types of perception' namely, independent and dependent perception, is a stepping stone that allows other post-researchers to deepen their attention on this study especially perception and types of perception.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter describes the methodology used to carry out this study. This section include sub-sections such as study area, description of the research design, study population, sampling procedure and sample size, data collection and data analysis techniques

#### **3.1 Study Area**

This study was conducted at CRDB Bank Masika Branch in Morogoro Municipal. The reason of carryout a study in this institution is because of convenience and simplicity of getting data, the fast growing bank as well as accessibility from my residence hence cost effective and familiarity of the researcher with the Municipal. Also, because the financial institutions all carrying similar functions, that's why purposively a study was carried out in Morogoro.

#### **3.2 Research Design**

This study used a case study approach. This is because it involves studying the particular unit intensively. The selection of the design is based on the reason that it allows flexibility in the use of the research tools (Aaker *et al.*, 2002).

#### **3.3 Target Population**

The population as far as the study is concern was all customers and employees of CRDB bank in Morogoro Municipal. Population refers as a group of individuals who have one or more characteristics in common (Best and Kahn 1998).

#### **3.4 Sample Size and Sampling Techniques**

##### **3.4.1 Sample Size**

A representative sample size of 70 respondents was drawn. This sample size constituted 30 employees and 40 were customers. Each group of respondent participated effectively in displaying all material facts that enhances the researcher be able to draw an objectively and significant conclusions. The reason for such a

sample size was due to the budget constraints. However, based on the descriptions given by Bailey (1994), where a sample or sub-sample of 30 respondents is bare minimum for the studies in which statistical data analysis is to be done regardless of the population of the study.

### **3.5.2 Sampling Techniques**

Probabilities sampling particularly purposive and simple random sampling techniques were used in the course of the study.

#### **3.5.2.1 Simple Random Sampling Technique**

Simple random sampling technique was used in the selection of each CRDB bank customers surveyed. Each member had an equal opportunity of being included in the sample size of the study. The selection of representatives to constitute the sample of the study was done basing on the random numbers assigned to customers. The researcher has opted the technique since is free from biasness therefore it gives reliable and accurate data.

#### **3.5.2.2 Purposive sampling Technique**

The purposive sampling technique was used in the selection of key persons from the CRDB bank based on their job position at the bank, as they included ATM support staff, the Marketing department, sales department, banks manager and Information Technology department. In additional, the study opted the technique since it reflects a true representation of the employees and gives relevant data for the study.

## **3.6 Data collection techniques and their instruments**

### **3.6.1 Primary Data collection techniques**

The researcher collected the raw data from the respondents through various techniques including questionnaires, observations and interviews. According to Kothari (2004), primary data are those which are collected afresh and for the first time and thus happen to be original in character. This kind of data was collected using a structured questionnaire.

#### **3.6.1.1 Questionnaires**

The study prepared a series of questions and distributed to the respondents of which provided answers in return. In order to make respondents feel free to provide information both English and Swahili languages were used, whereby Swahili language is commonly understood by many. Leedy, (1980) added that questionnaires was designed because they would be useful as instruments in data collections, easy to administer, and collect only the needed data questionnaires are easy to compute.

Close ended questionnaire enabled the respondents give short answers, that was, Agree, Uncertain, or Disagree. And open ended questionnaire was used to assist the researcher to get the detailed answers from the respondents. According to Saunders *at el.*, (2003), Questionnaires can be categorized into two groups; self administered, and Interview administered, as far as this particular study is concern, the study used self administered questionnaires techniques.

The advantage of the self administered questionnaire compared to other data collection tools is that, it ensures top secrecy, it is relatively inexpensive and it allows a large number of respondents to be surveyed in a short period of time even if the respondents are widely distributed geographically (Moore, 2000).

The notable disadvantage of the self administered questionnaire say low rate of return of the dully filled questionnaires, control over questionnaires once distributed

is uncertain, ambiguous replies or omission of replies and slowness of the method, (Kothari, 1999). The issues raised in questionnaires appear in appendix A. *Moreover,*

To ensure proper understanding and completing of the questionnaire written instructions was provided at the beginning of the questionnaires by the researcher. During the study the researcher was using the questionnaires which are open and closed ended. Open ended questionnaires were used in order to gather more information from the respondents. The questionnaires were distributed to all respondents and they were given time to fill them and return to the researcher the same day. Furthermore, it was elaborated earlier to respondents that their responses will be treated as confidential. In that case respondents were not being required to write their names on the questionnaire. The respondents were free to ask any question from the questionnaire which needs more clarification or elaboration. On return of the questionnaire paper, each was checked for completeness and consistency.

### **3.6.1.2 Observations**

The study directly observed different activities as they are conducted within a place of study for example, the customers' speed in the use of ATMs, the length of queue at varying times, the number and neatness of the employee. This method helped the researcher in providing first eye information, which is free from the respondent biasness, information was gathered by observing day-to-day activities in the field (participant observation) also was used where questionnaires were not possible.

### **3.6.1.3 Interview**

The study asked the questions face to face to respondents in need of getting information. The researcher becomes the interviewer and the respondents from the sample become the interviewee

According to Hessler, (1992) suggested that, interviews may either be face-to-face or distant, also is very vital data collection tool when you collect information that

involve the oral questioning or discussions. The researcher used both structured and unstructured interview depending on the flexibility of the nature of the interview or position of the respondent, with sole goal of obtaining first hand information.

### **3.6.2 Secondary data collection techniques**

The study reviewed number of written documents as included; data extracted from books, report registers, budgets, websites, brochures, manuals, strategic and business plan. Kothari (2004) defined secondary data as those data which have already been collected by someone else and which have already been passed through statistical processes.

#### **3.6.2.1 Documentary Review**

The researcher reviewed various documents to extract previous information from secondary data instead of relying solely on primary data. The secondary data was essential to the study as they helped to obtain information that used to supplement the information where the primary data fall short. They was collected from various annual reports, documentation, brochures and journals which were available at CRDB bank, books, internet source, journals, news papers and research papers from Mzumbe University Library and Morogoro regional Library.

### **3.7 Data analysis techniques**

Data analysis in respect to this study was strictly done using Statistical Package for Social Sciences (SPSS version 20.0). Of which, two methods for data analysis that is descriptive and inferential statistical methods were used basing on the specific objectives of the study.

#### **3.7.1 Inferential statistic method**

In respect to the specific objective one that describe the factors of customer's perception towards service quality, the factor analysis was carried out as a reduction method to come up with fewer items capable of explaining underlying relationship among variables of the study. And also factor analysis was used to assess the suitability of data, which ultimately provided the answer on customer's perceptions

with regards to the service quality provided by CRDB Bank, Masika Branch in particular.

### **3.7.2 Descriptive statistic method**

Data processing including entry process, coding and cleaned was clearly done as preliminary data analysis techniques before embarking to the actual data analysis. Data were presented using frequencies and percentages for purpose of drawing conclusion basing on specific objective two, the extent of customers satisfaction with bank's service offered.

And also on specific objective three that is; bank's strategies that meet the needs of the customers, frequencies and tables were again used to present data.

### **3.8 Ethical Consideration**

The researcher formally requested and obtained a permission to carry out the study from CRDB Morogoro Branch Manager. The request included all other necessary assistance to facilitate the process of questionnaire and influenced proper and timely responses from the sample units. Self introductory letter explaining the aim of the study was presented to the management. All the respondent answers were strictly treated confidential.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.0 Introduction

This chapter provides demographic characteristics of respondent in sub-section one of the study, description of factors constitutes customers' perception towards service quality in sub-section two, while examining the extent of customers' satisfaction with the CRDB bank service offered sub section three, and description of identified Banks' strategies that promote customers loyalty in CRDB bank sub- section four.

Basically, a total of 70 respondents were expected to participate in the study, and all of 70 respondents participated which is equal to (100%) of the total expected sample. The sample constituted 30 (42.9%) bank employees while 40(57.1%) were customers (Table 4.1).

**Table 4.1: Distribution of the Respondents by customers' type**

<b>Respondents</b>	<b>Frequency</b>	<b>Percent</b>
Customers	40	57.1
Employees	30	42.9
Total	70	100.0

**Source: Field data, (2013)**

The distribution of customers Table 4.1 above implied that, all types of customers as required by the researcher participated in giving data and this increase the quality and importance of the findings of our study.

## 4.1 Demographic profile of Respondents

### 4.1.1 Employees characteristics profile

**Table 4.2: Distribution of the Employees' characteristics**

<b>GENDER</b>	<b>Frequency</b>	<b>Percent</b>
Male	16	53.3
Female	14	46.7
Total	<b>30</b>	<b>100.0</b>
<b>EXPERIENCE</b>		
Less than 3yrs	8	26.7
4-6 yrs	14	46.7
7-9 yrs	5	16.7
Above 9 yrs	3	10.0
Total	<b>30</b>	<b>100.0</b>
<b>AGE</b>		
20-30	4	13.3
31-40	15	50.0
41-50	9	30.0
Above 50	2	6.7
Total	<b>30</b>	<b>100.0</b>
<b>EDUCATION LEVEL</b>		
Primary	-	-
Secondary	3	10.0
Tertiary	27	90.0
Total	<b>30</b>	<b>100.0</b>
<b>BANK ACCOUNT</b>		
Saving account	24	80.0
Fixed account	2	6.6
Current account	4	13.4
Total	<b>30</b>	<b>100.0</b>

SOURCE: Field data (2013)

#### 4.1.1.1 Employees' gender

The findings indicated that about 53.3% employees were males and 46.7% of the employees were females (Table 4.2). The implication is that, males utilizes employment and academic opportunities than females, for the reason of African tradition that women are highly involved in house hold activities such, as child care, cooking, fetching water, thus, lucky enough time to involve in economic activities.

#### **4.1.1.2 Employees working experience with CRDB Bank**

The findings indicated that 26.7% of staffs had less than three years, 46.7% of the staffs had 4-6 years, also 16.7% of the staffs had 7-9 years and 10% of the CRDB staffs had above nine years (Table 4.2). Therefore experience implies that, most of the employees 46.7%, know their work very well, that shows many employees can work fast with high efficiency, of which perceived as quality and improvement of the tasks in CRDB bank,

#### **4.1.1.3 Employees' age**

The findings revealed that 13.3% of the employees surveyed had 20-30 years; also 50% had 31-40 years. While 30% of the employees surveyed had 41-50 and 6.7% of the employees had above 50 years (Table 4.2). Most of the employees 50% had 31-40 years. The implication is that, employees are matured and experienced in serving the bank customers, employees are reliable, responsive, have high empathy, and are fast in working in such a way to satisfy banks' customers.

#### **4.1.1.4 Education level of employees**

From Table 4.2 above, Education level shows that CRDB bank employed determined people with skills, knowledge and ability to undertake their responsibility as required to satisfy customers, as 90% of employees are banks professional workers, thus, prevents repetitive occurrence of mistakes again reduces customer complaints and unnecessary shout from banks customers. Also employees give relevant information to the study.

#### **4.1.1.5 Bank account of employees**

Many employees (80%) as far as Table 4.2 is concern, shows, employees put their money with saving account for their day- to- day transaction, banks account shows the reality that, employees incomes is not enough for it to be saved or to be banked with current account for business purposes. Thus, employees can provide unsatisfactory service to customers of which may lead to customers complaints and dissatisfaction.

### 4.1.2 Customers characteristic profile

**Table 4.3: Distribution of customers' characteristics**

<b>GENDER</b>	<b>Frequency</b>	<b>Percent</b>
Male	25	62.5
Female	15	37.5
Total	<b>40</b>	<b>100.0</b>
<b>EXPERIENCE</b>		
Less than 3yrs	10	25.0
4-6 yrs	15	37.5
7-9 yrs	13	32.5
Above 9 yrs	2	5.0
Total	<b>40</b>	<b>100.0</b>
<b>AGE</b>		
20-30	8	20.0
31-40	10	25.0
41-50	16	40.0
Above 50	6	15.0
Total	<b>40</b>	<b>100.0</b>
<b>EDUCATION LEVEL</b>		
Primary	12	30.0
Secondary	23	57.5
Tertiary	5	12.5
Total	<b>40</b>	<b>100.0</b>
<b>BANK ACCOUNT</b>		
Saving account	22	55.0
Fixed account	6	15.0
Current account	12	30.0
Total	<b>40</b>	<b>100.0</b>

SOURCE: Field data (2013)

#### 4.1.2.1 Customers' gender

The findings indicated that about 62.5% of the banks' customers were males and remaining percent of the banks' customers were females (Table 4.3). Customers' gender implied that males utilizes effectively financial opportunities, and keep their money with banks than females, males involves more in socio-economic activities than females, for the reason that, as far as the African tradition is concern, females are highly involved in house hold activities, such as, cooking, house cleanliness, fetching water and child caring, and thus, lucky enough time to involve in economic activities. Therefore the bank should handle males with due care to retain them,

while struggling to persuade more females on the advantages of banks so as they can invest with CRDB bank.

#### **4.1.2.2 Customers' experience with CRDB bank**

From Table 4.3, the findings revealed that 25% had been customers for less than three years, 37.5% had been customers of CRDB Bank for 4-6 years, and 32.7% had been customers for 7-9 years and 5% for more than 9 years. From customers experience on Table 4.3 implied that, 37.5% of the entire existing customers are satisfied with services offered by the CRDB bank, they know the bank very well and they are in position to provide substantial and reliable information for this research. Also Table 4.3 indicates the experience of the customers with CRDB bank showing for how long they have been customers to the bank (CRDB).

#### **4.1.2.3 Age of the customers**

The findings revealed that 20% of the customers had 20-30 years, 25% of the customers had 31-40 years, 40% of the customers had 41-50 years and 15% of the banks' customers had above 50 years. Generally, the findings revealed that most of the customers are of the middle age 31-50 years, people who are considered matured and experienced with service provided by CRDB bank; customers of between 31-50 years are the active economic age group and thus, contribute effectively in growth of the bank and entire economy as referred to (Table 4.3).

#### **4.1.2.4 Education level of the Customers**

Table 4.3 shows that most of the CRDB bank's customers are educated. As it reveals 57% have finished secondary school. This education level therefore implied that many customers knows well how to use ATMs machine, fill cheque, how to apply for loans; Also educated customers can provide relevant information concerning CRDB bank services to the study.

#### **4.1.2.5 Customers' bank account**

Table 4.3 shows that many CRDB bank customers 55% deposited their money with saving account. The implication is that, most of the customers are not loyal to their

banks, and customers just use bank as place to custody or safeguard their money for short time and not for business purpose as current account hold or as fixed account aimed at holding cash for a given period of time. Moreover, saving account means most of the people are financially weak, as they lack surplus amount of money to remain with banks for long period of time. And therefore people with saving account are not reliable to give valid information unlike for reliable customers with current and fixed account who allows large amount of cash to remain with bank.

## **4.2 Description of factors constitutes customers' perception towards service quality in banking industry in Tanzania**

### **4.2.1 Assessment of Data for Factor Analysis**

#### **4.2.1.1 Cronbach's Alpha Test**

The first step when performing a factor analysis is to assess the suitability of the data for factor analysis. It involves the testing internal consistency (reliability of scale) using Cronbach's alpha test being suggested that ( $\alpha=0.7$  or more) as recommended by Nunnally (1978). The findings indicated that the data are suitable to undertake factor analysis since the Cronbach's alpha is 0.92. Therefore, the data are valuable to be used to assess the extent to which services quality perceived by CRDB Bank customers to study area (Table 4.4).

**Table 4.4: Consistency or Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.920	.895	44

**SOURCE: Field data (2013)**

#### **4.2.2 Factorability of the correlation matrix**

Again for the data to be considered suitable data for factor analysis, the correlation matrix should show at least some correlation of ( $r = .3$  or greater). On the other hand, Bartlett's test of sphericity suggested by (Bartlett, 1954), and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy suggested by (Kaiser, 1970, 1974). The Bartlett's test

of sphericity should be significant ( $p < .05$ ) for the scale data to be appropriate for factor analysis. The KMO index always is ranging 0 to 1. In this study the KMO is 0.819 being above the value of .6 suggested as the minimum requirements. The summary for these statistical test has been indicated by (appendix 4.5) for correlation matrix whereas Table 4.5 for KMO and The Bartlett's test of sphericity respectively.

**Table 4.5: KMO and the Bartlett's test of sphericity**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>.816</b>
	Approx. Chi-Square	1050.160
Bartlett's Test of Sphericity	df	210
	Sig.	<b>.000</b>

SOURCE: Field data (2013)

#### 4.2.3 Factor Rotation

Under factor rotation we are looking for determining the smallest number of factors out of 22 that can be used to best represent the interrelations among the set of variables related to customers' perception in regarding the service quality provided by CRDB Bank.

To determine how many components (factors) to 'extract' we need to consider a few pieces of information provided in the output. Using Kaiser's criterion, we are interested only in components that have an Eigen value of 1 or more. To determine how many components meet this criterion we need to look in the Total Variance Explained table. This can be looked down for the values provided in the first set of columns, labeled Initial Eigen values. In this study only the first four components which belongs to 'tangibles' as one of dimension of service quality recorded Eigen values above 1 (13.421, 1.642, 1.077, and 1.018) are recommended being reduced from 22 items. The findings indicated that out of 22 variable measuring customers' expectation regarding the service provided by the CRDB Bank, only four items/variables have been retained. These variables have been condensed into four components whose Eigen values are one or more. These retained four components explain a total of 81.707 per cent of the variance in terms of service quality provided by CRDB Bank in Masika Branch (table 4.6 Cumulative % column). The findings

from this study is in line with study done by Jamal *et al.*,(2003), whose findings indicated that ‘service quality lead to customer satisfaction’.

**Table 4.6: Total Variance Explained of Expectation**

Extraction Method: Principal Component Analysis.

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.421	63.909	63.909	13.421	63.909	63.909
2	1.642	7.821	71.730	1.642	7.821	71.730
3	1.077	5.130	76.860	1.077	5.130	76.860
4	1.018	4.847	81.707	1.018	4.847	81.707
5	.777	3.700	85.407			
6	.727	3.463	88.871			
7	.482	2.295	91.166			
8	.397	1.889	93.054			
9	.350	1.664	94.719			
10	.295	1.404	96.122			
11	.207	.987	97.110			
12	.176	.836	97.945			
13	.111	.529	98.474			
14	.088	.418	98.892			
15	.067	.320	99.212			
16	.056	.268	99.480			
17	.036	.170	99.651			
18	.033	.155	99.806			
19	.023	.108	99.914			
20	.011	.050	99.964			
21	.008	.036	99.101			
22	.007	.025	100.000			

SOURCE: Field data (2013)

The component 1 to 22 above represents the customers’ expectation items as hereunder the Table (4.6a) appears:

#### 4.6a CUSTOMERS' EXPECTATIONS ITEMS

ITEMS	1	2	3	4	5	6	7
1. Will have up-to-date equipment							
2. Physical facilities will be good looking							
3. Employees will be well-dressed and appear neat							
4. Pamphlets and brochures will be eye-catching							
5. Will do something at the time they promised to do it							
6. Will show genuine interest in solving clients problems							
7. Will perform the service right the first time							
8. Will provide their services at the time they promised							
9. Will insist on error-free notes and reports							
10. Will tell clients exactly when will be performed							
11. Will give service to clients immediately on their demands							
12. Will always be willing to help clients							
13. Will never be too busy to clients requests							
14. Will increase the trust clients have in them							
15. Clients will feel safe in working together with them							
16. Will always take clients feelings into account							
17. Will have the knowledge to answer clients questions							
18. Will give clients individual attention							
19. Will have convenient office-hours							
20. Will give clients personal attention							
21. Will have clients best interests at heart							
22. Will understand the specific needs of the clients							

Again for customers' perceptions as far as the service quality provided by CRDB Bank taking Masika Branch as a case study is concern, about 22 items were subjected factors analysis and has been reduced into three variables. Furthermore, the findings indicated that the service quality items/variables were condensed into three components whose Eigen values are one or more. These three components explain a total of 87.177 per cent of the variance and the remaining percent has not been explained. The first component explains about 16.337% of the total variation in services quality, followed by 1.701% of the total variation and third component explain the total variation by 1.141% as can be seen from Table 4.7 below

**Table 4.7: Total Variance Explained of perception**

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.337	74.259	74.259	16.337	74.259	74.259
2	1.701	7.731	81.990	1.701	7.731	81.990
3	1.141	5.187	87.177	1.141	5.187	87.177
4	.712	3.236	90.413			
5	.410	1.864	92.277			
6	.310	1.411	93.688			
7	.276	1.254	94.942			
8	.220	1.001	95.944			
9	.184	.837	96.781			
10	.175	.794	97.575			
11	.127	.578	98.152			
12	.075	.343	98.495			
13	.066	.298	98.793			
14	.063	.284	99.078			
15	.052	.235	99.312			
16	.040	.181	99.494			
17	.036	.162	99.656			
18	.023	.106	99.762			
19	.021	.096	99.858			
20	.017	.079	99.938			
21	.009	.040	99.977			
22	.005	.023	100.000			

Extraction Method: Principal Component Analysis.

SOURCE: Field data (2013)

The component 1 to 22 above represents the customers' perceptions items as hereunder the Table (4.7a) appears:

#### 4.7a CUSTOMERS' PERCEPTIONS ITEMS

ITEMS	1	2	3	4	5	6	7
1. The organization has up-to-date equipment							
2. Physical facilities are good looking							
3. Employees are well-dressed and appear neat							
4. Pamphlets and brochures are of eye-catching							
5. Organisation does something at the time they promised to do it							
6. The organization shows genuine interest in solving clients problems							
7. Organization performs the service right the first time							
8. Organisation provides their services at the time they promised							
9. Organization insists on error-free notes and reports							
10. Organization tells clients exactly when will be performed							
11. Organisation give service to clients immediately on their demands							
12. Organization always are willing to help clients							
13. Organization never too busy to clients requests							
14. Organization increases the trust clients have in them							
15. Clients feel safe in working together with them							
16. Organization always take clients feelings into account							
17. Organization have the knowledge to answer clients questions							
18. Organization gives clients individual attention							
19. Organization has convenient office-hours							
20. Organisation gives clients personal attention							
21. Organization has clients best interests at heart							
22. Organization understands the specific needs of the clients							

##### 4.2.3.1 The organization has up to date equipment

From Table 4.7 the first component 1, which means the organization, has up to date equipment, the component/factor explains about 74.259% of the total variation in service quality, which implies that the above is the percentage of customers who perceives CRDB bank to have up to date equipment, and therefore the bank is doing best under equipment component, that lead to customer retention with the bank.

#### **4.2.3.2 Physical facilities are good looking**

The component 2 from Table 4.7 means physical facilities are good looking, this factor explains about 7.731% of the total variation of service quality. The above implies percentage that has explained by the customers' perception on service quality aspect under physical facilities including building and furniture, and therefore the bank should put more effort to improve the good looking of the physical facilities to drain in more customers and make customers enjoy the bank.

#### **4.2.3.3 Employees are well dressed and appear neat**

Table 4.7 shows that, component 3, which is well dressing and neat appearance of employees, the factor explains 5.187% of the total variation. The percentage of customers implies that, the CRDB bank should improve the dressing status of the bank's employees to make more customers be happy and satisfied.

#### **4.2.4 The nature of Service Quality instruments**

The SERVQUAL instrument/ questionnaire that yielded the entire above discussion consists of two sections, namely a 22-item section to measure customers' service expectations as well as a corresponding 22-item section which measures customers' perceptions of organizations' service, were, for the purpose of this research, adapted for application in a social work organization. The SERVQUAL questionnaire from service quality model has five dimensions the same dimensions applied to the perceived service quality model:

The first dimension (questions 1-4) assesses the appearance of physical facilities, equipment, personnel and communication materials of the organization and its units. The second dimension (questions 5-9) assesses the organization and its units' ability to perform promised service dependably and accurately. The third dimension (questions 10-13) assesses the organization and its units' willingness to help clients and provide prompt service. The fourth dimension (questions 14-17) assesses the organization and its units' knowledge and courtesy of employees and their ability to convey trust and confidence. The fifth dimension (questions 18-22) assesses the organization and its units' provision of care and the individualized attention it

provides to its customers. With the help of this elaboration, the study approached first specific objective, that is description of factors that constitutes customers’ perception towards service quality above intensively.

### **4.3 Description of the extent of customers’ satisfaction with the CRDB bank service offered**

The Table 4.8 shows customers about 7.5% of the customers were very high satisfied, while about 47.5% customers were high satisfied, about 20% of interviewed customers were neutral while 25% customers were lowly satisfied.

**Table 4.8: Customer`s Satisfaction Level for the Services Offered by CRDB**

<b>Satisfaction level</b>	<b>Frequency</b>	<b>Percent</b>
VERY HIGH	3	7.5
HIGH	19	47.5
NEUTRAL	8	20.0
LOW	10	25.0
Total	40	100.0

**Source: Field data, (2013)**

Generally majority of customers at frequency of 19 revealed high satisfaction to the service quality by the CRDB bank, at large percent of 47.5 compared to other customers. The reasons for customers’ satisfaction to be high are:

#### **4.3.1 Customers was timely served by employees**

The 47% of the customers were high satisfied, from (Table 4.8). The implication is half of CRDB bank customers were receiving service at the right time, and therefore customers have right perception with the bank, though the bank should put more endeavor to make customer be very high satisfied.

#### **4.3.2 Nice treatment from the bank employees**

Table 4.8, shows high satisfied customers were 47% with CRDB bank service. The implication is, customers are nicely treated with the bank employees, and therefore, customers feel happy, feel worthwhile for the service received from bank, thus, customers can stay long with the bank; nice treatment in turn raises the reputation and profit margin to the bank while reducing the stiff competition with related commercial banks such as, NMB, KCB, NBC and BARCLAYS.

#### **4.3.3 Security on depositing and withdrawing money**

Many customers ranging 47% as revealed on Table 4.8 were highly satisfied with CRDB bank safety and security. The implication is, customers have confidence in banks service and therefore, customers can deposit more much money with the bank, since the bank ensures their security for customers' money.

#### **4.3.4 Reliability of internet and ATMs machines**

CRDB bank have high satisfied customer of 47% as shown on, (Table 4.8). The implication is, customers can invest more with the bank, on regard that at any time, if customers wish to take money back from the bank, the chance is ascertained that is, CRDB bank is relied with customers. Therefore the assurance for the availability of financial service in bank, adds up customers, likewise the potential for growth of the bank goes up.

#### **4.3.5 Up to date equipment of the CRDB bank**

From (Table 4.8), 47.5% of customers were satisfied with the banks' up to date equipment, these perceptual areas includes presence of security cameras, mobile CRDB van, internet network, and fast working computers. The implication is, the bank equipments matches the expectation of customers that lead to customer satisfaction.

#### **4.3.6 Good looking of CRDB bank physical facilities**

The highly satisfied customers that are 47.5% were also attracted with the good looking of the physical facilities of the bank, which includes; ATMs rooms' tinted

and well painted buildings, and modern furniture. The implication is, the bank operates its activities basing on customers' view points, and therefore there is great likelihood of CRDB bank to attract more potential customers while retaining the existing customers.

#### **4.3.7 Well dressings and neat appearance of CRDB bank employees**

As from Table 4.8 shows that 47.5% of customers were highly satisfied, one of the perception area contributed to customers' satisfaction was, dressing status of the employees, includes modern uniforms under ties reflect trust, and confidence of the banks' employees to banks' customers. The implication is many customers build confidence to the bank and can retain with the bank for long period of time.

However, well dressing and neat appearance of results brought customers to high satisfaction level and thus, the bank performs near to its customers' expectation and the chance of retainance and attraction of more potential customers is high.

#### **4.4 Description of identified Banks' strategies that promote customers loyalty in CRDB bank.**

The employees thought of number of strategies that can be used in assisting the CRBD Bank to ensure the reliability of the services to the customers. However Table 4.9 gives the summary of the strategies that can meet the needs of CRDB bank customers.

**Table 4.9: Bank's Strategies that can promote customer loyalty**

Strategies CRDB Bank can use to ensure the service quality reliability	Frequency	Percent
Adequate computers and ATM machine in the branch.	11	36.7
Adequate staffs	6	20.0
High security system	3	10.0
Reliable Banking network	2	6.7
Use of generator to maintain power supply	4	26.6
Total	30	100.0

**Source: Field data, (2013)**

#### **4.4.1 Adequate computers and ATMs machines**

36.7% of the employees of the CRDB bank Table 4.9 above suggested the increase number of computers and ATMs machines, which implies service, will be offered fast, and customers will be satisfied with the banks service.

#### **4.4.2 Adequate staffs**

From Table 4.9 above, 20.0% of the employees suggested the increased number of staffs. The implication is that, for every customer there should be staff to serve, and additional staff enables customer feel worthwhile, cared and this will attract more customers in the near future as customers has built positive perception following increased staff.

#### **4.4.3 High security system**

Suggestions made by 10.0% of employee from (Table 4.9) on having high security system including; security camera, police and other detective equipment, is of a great importance as customers can feel more secure when withdrawing money in ATMs or from the individual teller, and security system adds trust and confidence to CRDB bank customers and this can attract more potential customers for the bank.

#### **4.4.4 Reliable banking network**

Regarding the findings from Table 4.9 above, only 6.7% employees suggested the presence of reliable network, the implication is, with reliable network customers, can withdraw cash any time even 3am through his Mobile phone or ATMs machines.

And many monetary transactions in banks requires internet network, thus, makes customers feel safe and can entirely rely on CRDB bank hence retainance and satisfaction of customer is possible.

#### **4.4.5 Use of generator machine**

Referring Table 4.9 above, 26.6% of employees said the CRDB bank should have generator machine for purpose of maintaining power supply, the generator serves as back up source of electricity, the generator implies reliability of services and caring to customers of the CRDB bank, as a result of customer satisfaction and retainance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter under the study consists of summary in sub section one, conclusion in sub section two and recommendation being the third sub section.

The study basically aimed at assessing the customers` perception towards service quality provided by CRDB Bank particularly Masika Branch in Morogoro. Specifically, the study aimed to achieve three specific objectives. These were;

- i. To describe factors constitute customers` perception of a service quality in banking industry in Tanzania;
- ii. To examine the extent to which customers are satisfied with the banking services offered; and
- iii. To identify possible bank`s strategies that can meet the needs of the customers.

#### **5.2 Summary**

Generally, the study covered a total sample size of 70 of which 30(42.9%) employees/internal customers while 40(57.1%) were external customers. On the other hand customers constituted 25(62.5%) males and 15(37.5%) females. Also, there were about 16(53.3%) males proportions of employees, while 14(56.7%) of them were females employees.

Regarding the question of customers` expectation for the services offered by CRDB Bank, factor analysis revealed that only four components were retained after being reduced from 22 items strictly measuring customers` expectations with the available services. The four principal components whose Eigen values were one or more found to found to be significance. The total proportion of variation explained by these

retained four components was about 81.707 % and the remaining percent was unexplained.

Again, the issue of customer's perceptions for services provided by Masika CRDB was critically examined in this study. This perception the customers have regarding the service is also an important component to increase customer's loyalty and trust worthiness to the organization. This may also contribute the increase in the profit margin of the bank. Similarly 22 variables were used to measure the perception the customers have regarding the services provided. Factor analysis revealed that only three principal components were retained yielding a total variation of 87% and the remaining percent was unexplained.

Taking into account the extent to which customers were satisfied with the bank's services being offered by CRDB, it was revealed that 47% of the total customers were found to be highly satisfied, followed by 25% lowly satisfied, 20% neutral and 7.5% were very highly satisfied with the services rendered by CRDB bank in the study area.

Also, respondents put much suggestion on strategy of increasing the number of computers (ATM machines) 36.7% to bring the maximum satisfactions among them cutovers and in turn can even increase profit margin.

### **5.3 Conclusion**

Generally, the customers found to be satisfied with the services provided by CRDB Bank in the study area. This is because the more of proportion of the variation with regards to customer's expectations and perceptions for services provided by CRDB Bank is somehow satisfying in the sense that the Eigen values are eighty percent and more. However, this small amount which has not been explained call for increase about changes and improvements such that customers may not be tempted to shift to other financial institutions. Services providers should develop a customer care language, increase safety and increase ATM machines are also to be considered for better improvements of CRDB Bank services.

#### **5.4 Recommendations**

For the existence and sustainability of CRDB Bank and keeping on satisfying the customers' requirements of services, there is need of observing the following:

- i. In view of the perceptions of customers for the services more of the total variation has been explained. Bank has to continue maintaining the status in terms of its building, pamphlets and brochures, employees appearance, furniture and even improving more and more to retain more customers rather than chasing them.
- ii. It is recommended that the number of working computers, internet network and ATM Machines is not sufficient and not reliable. Thus more of these instruments are to be added and have to be reliable.
- iii. The number of staffs are not enough, also some teller windows are not working, this creates a queue for customers and hence more time to be spent waiting for the service.
- iv. High security when drawing or depositing money was also recommended by the respondents. Therefore the study insists CRDB bank to ensure that customers are highly protected from thieves.
- v. Increase number of generators to allow the services to be more reliable once electricity is off.
- vi. Customer to be served on time.
- vii. Customers want to be treated nicely, listened, and helped unconditionally as well as being served with happy CRDB bank staffs. AND
- viii. Bank should constantly (a) bring creative and innovative services for the market, and (b) conduct market researches and surveys to provide services that are 'customer oriented'.

#### **5.5 Recommendation for further studies**

Customers are different and their differences are also different. Therefore the differences that exist between customers makes customers to perceive the same service differently, the differences in customers' perception prompted a researcher to introduce two types of perception to the study; independent and dependent

perception. And thus, the study has opened a door for other studies to be carried out from the researcher's stepping stone view point. Thus, there is a need to carry a similar study to other financial banking institutions such as NMB, NBC, KCB and small microfinance that carry the functions of the bank such as SACCOS, MPESA, TIGOPESA and AIRTEL money. This will allow comparative kind of study in view of similar objectives or revised objectives especially on 'perception' issue.

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## **APPENDICES**

### **Appendix 1: QUESTIONNAIRES TO CUSTOMERS**

Dear respondent

The researcher is a student at Mzumbe University pursuing Master of Science in Entrepreneurship Development. It is a compulsory in my studies that I have to conduct a research during second year as a partial fulfillment of my Academic studies.

I'm carrying out a research on Determine factors influencing Customers Perception of Quality service at CRDB Bank, Masika Branch in Morogoro Region.

You have been chosen to take part in this study by answering the questionnaire attached. This is an academic exercise therefore your honest response to the questionnaire will be greatly appreciated and considered confidential.

Your views and those of other customers who are being asked to complete the questionnaire will provide a valuable input in my studies. The questionnaire will take about 15 minutes to complete. Please indicate your views about the statements overleaf by placing a tick in the bracket which matches your opinion

#### **PART A: PROFILE OF THE RESPONDENTS**

1. Age (Tick the right one) 20-30 [  ] 31-40 [  ] 41 – 50 [  ] Above 50 [  ]
2. Sex: Male[  ] Female [  ]
3. How long have you been a customer to CRDB bank, Morogoro branch? (Tick the right one)

<b>Less than 3 yrs</b>		
<b>Between 4-6 yrs</b>		
<b>Between 7-9 yrs</b>		
<b>Above 9 yrs</b>		

**PART B: CUSTOMERS' EXPECTATIONS**

4. For the service you are evaluating please show on the scale from 1 to 7 how well you agree with the statement shown on the left (1 is strongly disagree and 7 is strongly agree)

ITEMS	1	2	3	4	5	6	7
1. Will have up-to-date equipment							
2. Physical facilities will be good looking							
3. Employees will be well-dressed and appear neat							
4. Pamphlets and brochures will be eye-catching							
5. Will do something at the time they promised to do it							
6. Will show genuine interest in solving clients problems							
7. Will perform the service right the first time							
8. Will provide their services at the time they promised							
9. Will insist on error-free notes and reports							
10. Will tell clients exactly when will be performed							
11. Will give service to clients immediately on their demands							
12. Will always be willing to help clients							
13. Will never be too busy to clients requests							
14. Will increase the trust clients have in them							
15. Clients will feel safe in working together with them							
16. Will always take clients feelings into account							
17. Will have the knowledge to answer clients questions							
18. Will give clients individual attention							
19. Will have convenient office-hours							
20. Will give clients personal attention							
21. Will have clients best interests at heart							
22. Will understand the specific needs of the clients							

**PART C: CUSTOMERS' PERCEPTIONS**

5. For the service you are evaluating please show on the scale from 1 to 7 how well you agree with the statement shown on the left (1 is strongly disagree and 7 is strongly agree)

ITEMS	1	2	3	4	5	6	7
1. The organization has up-to-date equipment							
2. Physical facilities are good looking							
3. Employees are well-dressed and appear neat							
4. Pamphlets and brochures are of eye-catching							
5. Organisation does something at the time they promised to do it							
6. The organization shows genuine interest in solving clients problems							
7. Organization performs the service right the first time							
8. Organisation provides their services at the time they promised							
9. Organization insists on error-free notes and reports							
10. Organization tells clients exactly when will be performed							
11. Organisation give service to clients immediately on their demands							
12. Organization always are willing to help clients							
13. Organization never too busy to clients requests							
14. Organization increases the trust clients have in them							
15. Clients feel safe in working together with them							
16. Organization always take clients feelings into account							
17. Organization have the knowledge to answer clients questions							
18. Organization gives clients individual attention							
19. Organization has convenient office-hours							
20. Organisation gives clients personal attention							
21. Organization has clients best interests at heart							
22. Organization understands the specific needs of the clients							

6. List the factors which determine your judgment of service quality in your bank

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7. Kindly indicate the level of satisfaction you have been receiving from CRDB bank services in terms of quality (Tick the right one).

Very high [  ] High [  ] Neutral [  ] Low [  ] Very low [  ]

MASOUD A. MGONGOLWA

MZUMBE UNIVERSITY

THANK YOU VERY MUCH.

## Appendix 2: QUESTIONNAIRES TO STAFF

Dear respondent

The researcher is a student at Mzumbe University pursuing Master of Science in Entrepreneurship Development. It is a compulsory in my studies that I have to conduct a research during second year as a partial fulfillment of my Academic studies. I'm carrying out a research on Determine factors influencing Customers Perception of Quality service at CRDB Bank, Masika Branch in Morogoro Region. You have been chosen to take part in this study by answering the questionnaire attached. This is an academic exercise therefore your honest response to the questionnaire will be greatly appreciated and considered confidential. Your views and those of other customers who are being asked to complete the questionnaire will provide a valuable input in my studies. The questionnaire will take about 15 minutes to complete. Please indicate your views about the statements overleaf by placing a tick in the bracket which matches your opinion

1. Age (Tick the right one) 20-30 [  ] 31-40 [  ] 41 – 50 [  ] Above 50 [  ]
2. Sex: Male[  ] Female [  ]
3. How long have you been working with CRDB bank? (Tick the right one)

Less than 3 yrs	<input type="checkbox"/>	<input type="checkbox"/>
Between 4-6 yrs	<input type="checkbox"/>	<input type="checkbox"/>
Between 7-9 yrs	<input type="checkbox"/>	<input type="checkbox"/>
Above 9 yrs	<input type="checkbox"/>	<input type="checkbox"/>

4. Kindly list the strategies available in the bank to ensure that perceived service quality are provided to customers.....

MASOUD A. MGONGOLWA  
MZUMBE UNIVERSITY  
THANK YOU VERY MUCH.