FACTORS AFFECTING CUSTOMER SATISFACTION IN BANKING INDUSTRY IN TANZANIA: A CASE OF NATIONAL MICROFINANCE BANK (NMB) BAGAMOYO BRANCH

FACTORS AFFECTING CUSTOMER SATISFACTION IN BANKING INDUSTRY IN TANZANIA: A CASE OF NATIONAL MICROFINANCE BANK (NMB) BAGAMOYO BRANCH

By

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Factors affecting customer satisfaction in banking industry in Tanzania: a case of national microfinance bank (NMB) Bagamoyo branch**,** in partial fulfilment of the requirements for award of the degree of Master of Business Administration of Mzumbe University.

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Major Supervisor

Signature

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Internal Examiner

Accepted for the Board of

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Signature

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HOD-Business Studies/DEAN/DIRECTOR,

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DECLARATION

AND

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I, **Elizabeth Ibrahim Chawinga,** 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.

Signature ____________________________

Date__________________________________

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There are many persons and organizations made this research study successful. It is very difficult to mention all of them in this short document. However, I can mention just a few; First of all I would like to thank God for his guidance, empowerment and good health up to this juncture.

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DEDICATION

I dedicate this MBA dissertation whole-heartedly to my loving husband for his silent support in whatever I choose to do in life. Lastly but not the least, I thank God for leading my way and to him, all the credits go.

ABBREVIATIONS AND ACRONYMS

NMB	National Microfinance Bank
FGD	Focused Group Discussion
SPSS	Statistical Package for Social Sciences
EDP	Expectancy-Disconfirmation Paradigm
GSI	Growth Strategies International

ABSTRACT

Banking industry especially in most developing countries and in Tanzania is one of the fastest growing businesses with a lot of opportunities to the society. It has opened opportunity for customers (guests) to enjoy choice among banking service providers. The purpose of this research study was to investigate factors affecting customer satisfaction in banking industry in Tanzani. A study conducted at National Microfinance Bank (NMB) Bagamoyo branch. The objectives which guide this study was to determine the level of customer satisfaction in banking industry, to determine factors affecting customer satisfaction in banking industry, to examine the challenges that management face in satisfying customers in banking industry.

The study used both qualitative and quantitative approaches to investigate factors affecting customer satisfaction in banking service provider. The study carried out and covered 384 individual customers of NMB Bagamoyo branch and all 12 bank officers as according to the sample size. Data collected using the in-depth interview method, questionnaires, Focused Group Discussion method (FGD) and observation method. Tools used in data collection were structured questionnaires, checklist and FGD guiding questions. Statistical Package for Social Sciences (SPSS) and Ms. Excel was used to analayze data.

It was reveald that customers are satisfied with the service provided by the NMB bank Bagamoyo branch. However, from the study it was further revealed that small numbers of customers are not satisfied.

It was recommended that bank should also focus on this small number of customers as their satisfaction is also important for success of the bank.

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CHAPTER ONE

PROBLEM SETTING

1.0 Introduction

This chapter described the background of the study, statement of the problem, general objective of the study, specific objectives of the study, research questions, significance and justification of the study, scope and delimitation of the study, and the limitations of the study.

1.1 Background to the Study

The size of the service sector is increasing around the world in both developed and emerging countries (Lovelock and Wirtz 2007). It is important for the service providers to know the level of customer satisfaction and expectations in order in to meet and even excel them to gain maximum customer satisfaction. As customer expectation is an important criterion for post consumption evaluation, it is also important for the service provider to manage the customer expectations so that customer does not develop expectations that are difficult for the service providers to satisfy (Jauhari and Dutta 2009). The service provider time and effort are both wasted if the customer's expectations are different, as expectation influence the customer satisfaction (Coye 2004).

Banking industry is now affected by strong competition, the industry is quite slowly in becoming more "market oriented" and it seems that customer satisfaction is one of the important tools to run a business and to achieve the mission statement (on sustainability and outreach) in this sector.

Customer satisfaction is an evaluative process, it is defined as "a judgment that a product of service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment” (Oliver 1997) cited by (Swaid 2007; Hom, 2002). Customer satisfaction is “captured as positive feeling (satisfaction), indifference or negative feelings (dissatisfaction)” (Bhattacherjee, 2001) cited by (Swaid 2007). It is a short-term attitude that can readily change given a constellation of circumstances. Therefore, satisfaction is not a static idea and it changes as soon as a client finds a better deal that meets his expectations. In this perspective, firms must focus on customer satisfaction, studying and determining as soon as possible the customer satisfaction level, to adjust the product to customer needs. Indeed, customer satisfaction has great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution (Koraus, 2002).

Customer satisfaction is a subject with a lot of interest in both the marketing and finance literature. The great emphasis on customer satisfaction has given birth to multiple studies and innovative methodologies to assess and to understand customer behavior. Parasuraman et al.1985, 1988) are among the most well-known researchers who assessed customer satisfaction using service quality (ServQuality) model. Today, ServQuality model is used, with few adaptations, in multiple sectors to assess both service perceptions and expectations “across a range of different service characteristics” (European Commission, 2008). The original model is adapted in function of the researchers’ needs and “moved” from the non-financial sector to the financial sector. Therefore, it is feasible to assess customer satisfaction also in the financial sector. Thus, “the BANKSERV model was developed in Australia to measure service quality in retail banking as perceived by customers, it was adapted from SERVQUAL to specifically suit the Australian banking industry” (Pont and McQuilken, 2002).

The operation in banking industry nowadays focuses more on the quality standards in order to meet the basic needs and expectations of the customers. Once customers’ requirements and expectation are clearly identified and understood, bank operators are more likely to anticipate and fulfill their customers’ needs and wants (Juwaheer& Ross, 2003). It is on this belief that in the bank operation the satisfaction of the customer is the only way to win customers loyalties which tend to create repeated customer, respect of the bank and increase profit and all this is done through satisfaction of the employee first, services should be designed and delivered to meet targeted customer’s needs (Walker, 2004).

Rising&Chandek (2001) indicated that different customers have different expectations, based on their knowledge of a product or service. This implies that a customer may estimate what the service performance will be or may think what the performance ought to be and if service performance meets or exceeds customers’ expectation, the customers will be satisfied. On the other hand, customers are more likely to be dissatisfied if the service performance is less than what they have expected.

Customers’ satisfaction does have a positive effect on an organization’s profitability but satisfied customers form the foundation of any successful business this is because customers’ satisfaction leads to repeat purchases, brand loyalty and positive word of mouth (Kotler and Zairi, 2002). On the contrary, dissatisfied customers are more likely to tell another ten people of their experience with product or service (Zekiri, 2011). Unsatsified customers tend to move or shift to other organization which offers better services (Frempong and Henten, 2004). Companies want to create and maintain competitive advantage against rivals, if that is the case then it should offer superior services to their customers (Ishfaq et al., 2010). Thus organizations such as banking industries must pay great attention towards investing considerable amount and time on provision of better quality services to their customers in order to survive and compete in the long run (Ishfaq et al., 2010).

Banking industries is one of the fast growing industries in Tanzania. Therefore the competition for customers among banking firms in Tanzania is increasingly becoming fierce. This fierce competition raises growing concern among firms of the significance of delivering and managing service quality, which leads to customer satisfaction. However, the position of factors affecting customers’ satisfaction in banking industries in Tanzania is not as clear as to what extent customers are satisfied with the service being delivered. Therefore the study aims at investigating the factors that effects customers' satisfaction in banking Industry, a case NMB Bagamoyo branch.

1.2 Statement of the problem

Research in marketing has concentrated more on discussing how to raise sales rather than how to satisfy and create loyal customers (Lele, 2006). In organization where service is the core part of the business, the services are visible to the customer. Therefore, it would be quite normal that such services would have a major impact on the customer satisfaction in banking industry because of high employee-customer contact, customer satisfaction is very important in provisional towns/cities. In banks customers complain a lot and little effort is made to find out what customers complain about.

Several studies concerning factor affecting customer satisfaction has been conducted in service industry such as hotels (Mbungwana, 2009) in Cape Peninsula University of Technology. Information Technology (Hossein and Parisa, 2011) in University of Isfahan, however there are also a number of studies which have been done on customers' satisfaction in banking sectors such studies are from (Ishaq, 2011) which was done in Pakistani , Johnston (2007) which was conducted in Zimbabwe and Prema Dawar, (2013) which was done in Malysia.

Despite of the importance of customer services in banking industry it is evident that there is a little study done in customers' satisfaction in banking industries nevertheless the most of studies have been done outside Tanzania, therefore there is a need for such study to be conducted in Tanzania as well. Therefore this study attempt to cover this gap by examining the factors affecting customers satisfaction in banking industry a case of NMB Bagamoyo branch.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study is to investigate factors affecting customer satisfaction in banking industry

1.3.2 Specific objectives

i. To determine level of customer satisfaction at NMB Bagamoyo branch.
ii. To determine factors affecting customers satisfaction at NMB Bagamoyo branch.
iii. To examine the challenges that NMB Bagamoyo branch management face in satisfying customers.

1.4.1 General question

What factors affecting customer satisfaction in banking industry?

1.4.2 Specific Questions

i. What are the levels of customer satisfaction at NMB Bagamoyo branch?
ii. What are the factors affecting customers satisfactions at NMB Bagamoyo branch?
iii. What are the challenges that NMB Bagamoyo branch management face in satisfying customers in banking industry?

1.5 Significance and Justification of the Study

In regard to direct participation of customers for this study, it will provide to the bank good information on customer satisfaction toward banking services. This study will provide the bank with guidance on how to provide better service in future and also to help them to set their marketing plan and strategies in order to achieve the customers need.

Theoretically, this research study also will contribute to the increase in the number of research papers on customer satisfaction for the banking industry in Tanzania.

Discussion in the study will also be important as it will increase amount of review and knowledge about customer satisfaction.

The research is also important to the government as will provide the information wich will help the government to be aware of the challenges that management face in satisfying customers as well as to develop policies and regulations which helps to facilitate the growth of banking industry in Tanzania.

The study is also important for a researcher for Partial Fulfillment of the Requirements for Award of the Degree of Master of Business Administration.

1.6 Scope and delimitation of the study

The study area is customer satisfaction, and specifically factors affecting customer satisfaction in banking industry. NMB Bagamoyo branch has chosen as a study area.

1.7 Limitations of the study

Time and financial ability was a limiting factor to enable researcher to study the large sample. Hence only NMB Bagamoyo branch was studied. Therefore, there was a doubt that results for this study might not been able to achieve external validity i.e. generality of the study and result of which might not be generalized to other banks (populations). This is because the sample studied obtained from one Bank and only one Branch (NMB Bagamoyo Branch).

Lack of cooperation from some of the respondents was also another to the study, some customers and the management were busy and not have time for interview or to participate in focus group discussion, However by combining difference methods of data collection it was able for a researcher to overcome the limitations and get all the required information to complete the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers several concepts on theoretical review, empirical review, literature gap and the conceptual framework. It consists of the review of various researches, books, journals, newspapers and dictionaries on the factors affecting customer satisfaction in banking industry.

2.1 Theoretical review

Oliver, (2003) proposed the Expectancy-Disconfirmation Paradigm (EDP) as the most promising theoretical framework for the assessment of customer satisfaction. The model implies that consumers purchase goods and services with pre-purchase expectations about the anticipated performance. The expectation level then becomes a standard against which the product is judged. That is, once the product or service has been used, outcomes are compared against expectations. If the outcome matches the expectation confirmation occurs.

Disconfirmation occurs where there is a difference between expectations and outcomes. A customer is either satisfied or dissatisfied as a result of positive or negative difference between expectations and perceptions. Thus, when service performance is better than what the customer had initially expected, there is a positive disconfirmation between expectations and performance which results in satisfaction, while when service performance is as expected, there is a confirmation between expectations and perceptions which results in satisfaction. In contrast, when service performance is not as good as what the customer expected, there is a negative disconfirmation between expectations and perceptions which causes dissatisfaction.

This type of discrepancy theory has a long history in the satisfaction literature dating back at least to Howard's & Sheth's (1967) definition of satisfaction which states that it is a function of the degree of congruency between aspirations and perceived reality of experiences. Porter (1961) can be credited with early empirical applications of this comparative model of customer satisfaction in the field of job satisfaction (cf. Oliver, 2003).

In his study, Porter, for instance, compared the worker's perception of how much of a job facet (for example, pay) there should be to the worker's perception of how much is the facet there now. In support of Porter's view, Locke (1965) proposed that this discrepancy methodology could be employed in assessing employees' job satisfaction

2.2 Definition of service

The meaning of service can vary to a great extent in different contexts. Essentially, service is an act or performance that one part can offer to another, creates benefit for the other by bringing about desired change in or on behalf (Levelock and Wright 1999, p.5) and is essentially intangible and does not result into ownership of anything (Kotler and Armstrong 2003; Masmanidis, Vasslianidis and Mylonakis 2006). Lamb, Hair, Mc Daniel, Boshff and Terblanche (2004) point out that service are deeds or performances that one entity offers to another or effort that cannot be physically possessed.

2.3 Service in banking industry

The word 'Bank', has been defined in many ways by different people; (According to Wikipedia) the word bank has been defined as is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses.

Kaaranen *et al* (2005) noted that the world "service" suffers from inflation in bank business area as it is used in almost any context. The production of service may not be tied to any physical product

2.4 Customer satisfaction

Customer Satisfaction is the affable notion of customers if they perceive the service experience to be in line with their expectations. Generally if the service satisfies the need and wants to customers, it results in customer satisfaction (Jauhari and Dutta 2009).

Organizations of all types and sizes have increasingly come to understand the importance of customer satisfaction (Hill & Alexander 2006). Customers whose needs are met or exceeded by organization form the favorable attitudes about it. Since people's attitudes drive their future behaviors, (Hill, Roche and Logent 2007). Therefore business leaders must realize that pursuing customer satisfaction is a critical and strategic decision. It's not something an organization does simply to satisfy a standard or win an award: It's something organization does to stay in business (Craig 2003).

Despite many attempts to measure and explain customer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote, 2000). Customer satisfaction is typically defined as a post consumption evaluative judgment concerning a specific product or service. Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived, performance (or outcome) in relation to his or her expectations".

Satisfaction is the customer's emotional response to his or her evaluation of the perceived discrepancy between his or her prior experience with and expectations of our product and organization and the actual experienced performance as perceived after interacting with our organization and consuming our product (Vavra, 2002). This definition imply that it before the customer's come to contact with the service in an organization they have their set of expectations which has to be met or exceeded during service performance, There for customers satisfaction can be defined as result of customers evaluation to the consumption experience with the services.

According to existing definitions and approaches, customer satisfaction can be analyzed as a general/overall judgment that a customer makes after consuming a product or a service. Customer satisfaction is perceived as “psychological state (feeling) appearing after buying and consuming a product or service” (Lendrevie and Lindon 1997) cited by (Merouane, 2008/2009). Thus, customer satisfaction reflects “a pleasure resulting to product’s consumption, including under or over fulfilment level” (Oliver, 1997) cited by (Hom, 2002). According to Olivier’s argument , customer satisfaction does not mean only positive feeling, it could also lead to a negative or neutral feeling withdrew from consuming a product or a service. Briefly, “customer satisfaction is captured as positive feeling (satisfaction), indifference (neutral), or negative feelings (dissatisfaction)” (Bhattacherjee, 2001) cited by (Swaid and Wigand, 2007, Hom, 2002).

When approaching customer satisfaction as a feeling, it is important to note that it is mostly influenced by the customer’s experience with the firm and product. In this perspective, customer satisfaction is conceived as “the emotional state that occurs as a result of a customer’s interactions with the firm over time” (Anderson et al. 1994) Cited by Verhoef (2003, 32). In fact**,** customers are usually comparing the product received from the firm to their own expectations over time. If the product fulfils and performs the customer’s expectations, customer seems satisfied. Briefly, customer’s satisfaction is analyzed as a confirmation or not of customer expectations (Conchon et al. 2006).

Clearly, it seems that customer satisfaction is composed by “two components: client expectations and the perceived quality, thus, a proper measure of satisfaction would include a separate assessment of both client expectations and the quality of provided service” (Office of the Comptroller General Evaluation and Audit Branch 1991). Parassuraman et al .1985, 1988, and 1991) approached customer satisfaction in the same way by demonstrating that customer satisfaction is a function of “the difference scores or gaps between expectations and perceptions (P – E)”. According to them, customer satisfaction is only achieved “if actual perceived quality surpasses the consumer’s expectations”.

Even if the Parasuraman et al. 1985 customer definition seems to be more dominant, it is now more criticized because of practical problems related to the gap “performance minus expectations” (Teas 1994, 132). Thus, an alternative measurement of customer satisfaction has been proposed estimating that customer satisfaction would be only obtained by focusing on actual perceived satisfaction (Corin and Taylor 1992; Teas, 1994). In this perspective and contrary to Parasuraman et al’s approach, “Customer satisfaction is defined as customer’s overall evaluation of the performance of an offering to date (Jonhnson and Fornell, 1991) cited by (Gustafsson et al., 2005, 210).

It is widely understood that it is far less costly to keep existing customers than it to win new ones, and it is becoming accepted that there is a strong link between customer satisfaction, customer retention, and profitability. (Hill & Alexander 2006) In addition (Hill, Roche and Logent 2007) argued that the highly satisfied customers usually display loyal behaviors such as staying with the company longer, buying more and recommending - all of which are highly profitable to the company concerned. As increasing the importance of satisfying customers in organization customers has therefore become the key operational goal for many organizations. They have invested heavily in improving performance in areas that make a strong contribution to customer satisfaction, such as quality and customer service. (Hill & Alexander 2006)

Many corporations understand that in order to prosper, they be obliged to center into the needs and wants of their customer (Sigh, 2006). This is the reason why many scholars and academician emphasized the importance of customer satisfaction For example, referring to the findings of over 20,000 customers’ survey conducted in 40 countries by

Info Quest, the statistical analysis of customer satisfaction by Growth Strategies International (GSI) found the result as follows;

- A total satisfied customer contribute 2.6 times as much revenue to a company as somewhat satisfied customer
- A total satisfied customer contribute 17 times as much revenue as a somewhat dissatisfied customer
- A total dissatisfied customer decreases revenue a totally satisfied customer contribute to a business

Therefore from this statistical analysis, it shows that customer satisfaction has a positive relationship towards an organization's profitability (Hoyer & Maclnnis 2001). In addition, according to the study about the impact of customer satisfaction repeat purchase, loyalty, and intention Zairi (2000) said the once customer is satisfied, they will share their feelings and experienced with five or six people. However if they were not satisfied, customers are more likely to tell another ten people of their unfortunate experience. Thus, this, activity will give the bad impact toward company reputation in the eyes of public. As a result, there is important to provide and increase the customer satisfaction in order to build customer loyalty and gain more new purchaser.

2.4.1 Level of customer satisfaction

Customer satisfaction "is an attitude-like judgment following a purchase act or a series of consumer product interactions. Most studies are based on the theory that the confirmation/ disconfirmation of preconception expectations are the essential determinants of satisfaction. This means that customer have certain service standards in mind before consumption (Their expectations), observe service performance and compare it to their standards and then form satisfaction judgment based on the comparison. The resulting judgment is labeled Negative disconfirmation if the service is worse than expected, Positive disconfirmation if it is better than expected, and simple confirmation if is as expected. When there is substantial positive disconfirmation, plus pleasure and an element of surprise, then customer is likely to be delighted." (Lovelock & Wirtz, 2007)

There is suggestion that consumers are indifferent to levels of quality that fall within their zone of tolerance (zero) and are motivated by an expectedly high levels of service quality, which in turn produce 'Delight' (Brady and Cronin (2001).

2.4.2 Importance of customer satisfaction in firms: retention and loyalty

Loyalty and retention are often analyzed as direct consequences of customer satisfaction. The two terms express "the attachment a customer feels for a company's people, products, and services. A loyal customer is someone who makes regular purchases, purchases across product and service lines, refers others, demonstrates an immunity to the pull of the competition" Griffin (1995) cited by (Churchill 2002) . Financial and marketing studies have supposed that satisfied customers constitute an important asset of firm. Even if there is not much empirical evidence, it seems that customer satisfaction will enhance both customer loyalty and retention through repeated purchases, less price sensitivity and costs reduction.

In fact, when customers are satisfied , they become more loyal and will increase their level of purchasing from the firm over time (Anderson and Sullivan 1993, Reichheld, 1996) cited by (Verhoef 2003) directly, they will also recommend other customers to consume the firm's products and services . Thus, "the positive word of mouth that satisfied customers generate influences other consumers' future purchases" (Anderson, 1996) cited by (Gruca and Lopo 2005). Satisfied customers are also expected to be "less likely to defect to competing products as a result of lower prices" (Fornell et al. 1996). For this reason, "greater customer satisfaction may enable firm to charge higher prices or at least to better resist downward pressure on prices" (Anderson 1996 , Narayandas 1998) . Briefly , " a satisfied customer reacts less sensitively to price changes and is prepared to pay a higher price for a service that corresponds to their requirements and conceived ideas" **(**Korauš 2002, Anderson et al .2004 , 172).

Customer satisfaction will also exert a positive impact on firm's costs through retention. Indeed, by satisfying customers, firms and MFIs will lower their actual costs avoiding gaining new clients and making extra marketing expenses. This argument is more important in microfinance sector where clients and the MFI are supposed to act for a long-term relationship. In fact, " with client retention, institutional costs decrease as the institution needs to do less marketing, less new client orientation, and fewer new client background checks, staff productivity increases because loan officers work with established clients whom they know well, clients income increases as loan sizes generally increase with experienced clients" (Waterfield 2006; Korauš 2002**).**

Brief, by satisfying their customers, "firms and MFIs will generate benefit for themselves beyond the present transaction and the current moment. These benefits will arise from the positive shaping of the satisfied customer's future behaviour" (Anderson, 1996) cited by (Gruca and Lopo, 2005, 116). It means that if firms and MFIs in particular, "are able to meet customers' needs successfully, then, household stability will increase. Customer household stability will in turn contribute to organization's financial sustainability" (Asian Institute of Management 2005).

2.4.2 Evolution of customer satisfaction measurement

There are many techniques and methods for measuring customer satisfaction. We will not review all existing methods. We will limit our attention to representative methods like ServQual, ServPerf and some adapted methods resulting to ServQual model.

a) *Service quality model*: The ServQual model is considered as the pioneer model in customer satisfaction measurement. Developed by Parasuraman et al.1985, the model has been recognized as the most representative tool in approaching customer satisfaction issues. The central idea is that service quality is “a function of the difference scores or gaps between expectations and perceptions (P – E)”. “SERVQUAL contains 22 pairs Likert scale statements structured around five service quality dimensions in order to measure service quality (Cronin and Taylor 1992) : Reliability, Responsiveness, Assurance , Empathy , Tangibles)” (Bloemer , Ruyter et al. 1999). In this perspective, customer satisfaction is analyzed as multidimensional concept resulting from a comparative approach between customer’s expectations and perceived quality delivered by the firm (cf. Parasuraman et al. 1985). Thus, “a positive gap score implies that expectation have been met or exceeded and a negative score implies that expectations are not being met” (Parasuraman at al. 1988) cited by (Safakli and Barnes, 2005, Parasuraman, et al. 1985**).** Now, ServQual model is analyzed and modified by some authors seeking to adapt it or to correct some mistakes it may be perceived to contain. Rethinking ServQuality has given birth to multiple others models among them ServPerf as analyzed below.

b) *The SERVPERF model*: This model had been developed by Cronin and Taylor 1992 from ServQual model basis. The fundamental criticism launched to ServQual model by Cronin, Taylor and other authors like Teas concerns the gap scores (P-E). In fact, those authors estimated that “there are serious problems in conceptualizing service quality as a difference score” (Cronin and Taylor 1992). Thus, ServPerf model suggests “ that customer satisfaction with service is based only on “performance” rather than a gap between performance and expectations, with the performance-only scale termed SERVPERF” (Cronin & Taylor 1992, 1994) cited by (Lowndes, 2001). However, SERVPERF model is composed of the same 22 perception items included in SERVQUAL. “It excludes any consideration of expectation, which makes SERVPERF a more efficient measure in comparison to SERVQUAL (Lee, Lee and Yoo, 2000; Buttle, 1996)” cited by (ANZMAC Conference Proceedings, 2002). Empirical studies have confirmed a relative superiority of ServPerf to ServQual models. Thus, PZB 1994 argued that “ServPerf has greater construct validity and that ServPerf measures also exhibit convergent and discriminant validity” (Cronin and Taylor 1992).

c) *Adapted models from ServQual model:* Today, ServQual model is adapted from marketing to finance sector. The principal ServQual model has been changed in function of authors’ research and interest. Many modifications are have been done by diminishing or adding some items or dimensions to the original model. Thus, for example, the PAKSERV model is using “SERVQUAL dimensions of tangibility, reliability and assurance but replaced the responsiveness and empathy dimensions with three new dimensions: *Sincerity (*consumer’s evaluation of the genuineness of the service personnel), *Formality (*consumer’s evaluation of social distance, form of address and ritual) and *Personalization (*consumer’s evaluation of individualize and individualized attention)” (Saunders). The BANKSERV model adopts a ‘perception-expectation’ approach to the measurement of service quality. “The model contains 17 items regrouped in four main factors: staff conduct, credibility, communication, access to Teller Services” (Pont and McQuilken, 2002) for assessing customer satisfaction in bank sector in Australia. The CARTER model was been developed to adapt ServQual to Muslim culture enabling it to measure customer satisfaction in Islamic banks. “The model makes assumption that the cultural and religious influences were significantly rated and placed in the front by Islamic banks customers. CARTER model includes 6 dimensions with 34 items. It includes in addition to the compliance with Islamic law and principles all SERVQUAL five dimensions” (Othman et al. 2001).

2.5 Factors affecting customer satisfaction

Customer satisfaction is the ultimate and final opinion of customer about the product or service they receive from the vendor. It is shaped by the vendor's performance or the perception of the customer about the vendor performance on the following factors.

2.5.1 Quality and Service Quality

According to the German standard, quality is defined as 'The totality of characteristics and features of a product or process, which facilitate realization of given requirements' (Mohanty and Lakhe 2002). Kasper et al (1999) define quality as, 'the extent to which the service, service process, and the service organization can satisfy the expectations of the user. According to the oxford dictionary (Hornby, 2005), quality is the standard of something when it is compared to other things like it, while services is a system that has been recognized by the government or private to provides something that the public need.

According to Lai, Griffin & Babin (2009) loyalty is one of the main determinants of long term financial growth in an organization. Service quality is also linked with customer loyalty. While some researchers are in the view that customer, satisfaction rather than service quality exerts stronger influences on buying intentions of the customers (Cronin and Taylor, 1992).

Some other researchers also provided the strong empirical evidences supporting the fact that service quality increases the customer intentions to remain with any company. For example, Buzzell and Gale (1987) found out that service quality results in increased market share and repeated sales that ultimately leads to customer loyalty. Zeithaml et al. (1996) also concluded in their research that when organizations improve the quality of their services, customers' unfavorable intentions are decreased while favorable behavioral intentions are increased. Traditional service systems are still demanded by the customers along with the internet-based banking (Yang and Fang, 2004).

Service quality might is been found to have a direct impact on customer loyalty (Boulding et al., 1993; Parasuraman et al., 1991) .Cronin and Taylor (1992) hypothesize that perceived service quality positively affects consumers' loyalty . Reichheld and

Sasser (1990), Cronin et al. (2000) and Kang and James (2004) found that good service quality leads to the retention of existing customers and the attraction of new ones, reduced costs, an enhanced corporate image, positive word-of-mouth recommendation and, ultimately, enhanced profitability. A research by Zeithaml et al. (1996) concluded that when organizations enhance the quality of their services, customers' favorable behavioral intentions are increased while unfavorable intentions are decreased simultaneously.

Service quality has been found to have considerable impact in determining repeat purchase and customer loyalty (Jones and Farquhar, 2003). As pointed out by Bolton (1998), service quality influences a customer's subsequent behavior, intentions and preferences. When a customer chooses a provider that delivers service quality that meets or exceeds his or her expectations, he or she is more than likely choose the same provider again. Besides, Cronin and Taylor (1994) also found that service quality has a significant effect on repurchase intentions. Other studies which support that repurchase intentions are positively influenced by service quality include Zeithaml et al (1996), Cronin and Taylor (1994), Cronin et al ., (2000), and Choi et al. (2004). A positive perception of service quality is thus an antecedent to customer loyalty (Young et al, 1994).

It is well known that evaluative judgments of service quality could significantly influence service loyalty and bank loyalty (Veloutsou et al., 2004). Ruyter et al. (1998) also found a positive relationship between perceived service quality and preference loyalty and price indifference loyalty. Velotsou et al. (2004) also found that perceived service quality has a positive association with customer loyalty, being defined as a function of expected quality (generated from market communication, image, word of mouth and customer needs) and experienced quality (generated from functional and technical quality).

Perceived quality reflects the opinion of the customer regarding the superiority or global excellence of a product or service. According to Venetis & Ghauri (2004), service quality is regarded as one of the few means of services differentiation, attracting new customers and increasing market share. It is also viewed as an important means of customer retention. The lifetime value of a loyal customer can be astronomical, especially when referrals are added to the economics of customer retention and repeat purchases of related products (Heskett *et al*, 1994). In one case, a retail bank that increased its customer retention rates by 5 per cent increased its profits by 85 per cent (Reichheld & Sasser, 1990). The cost of gaining a new customer is about five times greater than the cost of retaining a current customer through the use of relationship marketing.

The service quality forms an important aspect in perception of services. Service Quality is typically defined in term of gap analysis or the gap between customer expectation in general (for an ideal bank and its service) and these perceptions relating to the particular bank and its service. (Hernon and Whitman, 2001)

It can be used as a tool for differentiation and can provide a competitive edge. It is important to study service quality as it impacts organizational profits because it is directly related to customer satisfaction, customer retention, and hence customer loyalty (Mohsin 2005).Kandampuly (2000) states that the service quality is crucial for the success of any service organization at the time of the service delivery, customers interact closely with the service providers and get an inside knowledge of the service organization. This knowledge gives them an opportunity to critically asses the service provided and the service provider. Thus service quality plays important roles in adding value to overall service experience.

Quality can be defined as satisfying or exceeding customer requirements and expectations, and consequently to some extent it is the customer who eventually judges the quality of a product (Shen et al., 2000). In the service, where production, delivery and consumption can occur simultaneously, the concept of quality refers to the matching between what customers expect and what they experience. Customers evaluate service quality by comparing what they want or expect to what they actually get or perceive they are getting (Berry et al., 1988). Service Quality Service quality involves a comparison of expectations with performance.

According to Zeithaman & Bitner (2003) service quality is a measure of how well a delivered service matches the customers' expectations. Banks have realized the significance of concentrating on quality of services as an approach to increase customer satisfaction and loyalty, and to develop their core competence and business performance (Kunst and Lemmink, 2000)

In this study, service quality has been defined as the difference between customers expectation for service performance prior to the service encounter and their perception of the service received. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Asubonteng et al., 1996). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature.

The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer. Parasuraman et al, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in grocery stores.

Negi (2009) suggests that customer-perceived service quality has been given increased attention in recent years, due to its specific contribution to business competitiveness, developing satisfied and loyal customers. This makes service quality a very important construct to understand by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate especially in areas where gaps between expectations and perceptions are wide. Douglas & Connor (2003), found that the consumer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service quality and identify the intangible elements (inseparability, heterogeneity and perishability) of a service as the critical determinants of service quality perceived by a customer.

It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Douglas & Connor, 2003).

The ability to provide a quality service will, therefore, improve a commercial banks' ability to increase market share and profitability, whilst at the same time reducing their existing customer's switching propensity to another institution. Thus the ability to consistently provide a high quality service offering may well act as a key strategic differentiator. Furthermore, successful organizations perusing quality have realized that quality improvements must be focused where most productive (Keiningham, et al., 1995).

Improved quality has a three-fold pay-off; namely reduced costs, increased customer retention, and attracting new customers drawn to the quality service provider (Keiningham et al., 1995). In order to achieve service quality, it is important to identify key service expectations and focus efforts at the most beneficial point in the customer. It is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Caruana, 2002). What counts in services is the conformance to the wishes of customers rather than to any predetermined set of specifications (Berry et al., 1988). As Lewis (1993) put it "service quality is a measure of how well the service level delivered matches customer expectations. Thus, it is the degree of discrepancy between customers' normative expectations for service and their perceptions of service performance (Parasuraman et al., 1985).Delivering quality service means conforming to customer expectations on a consistent basis". This means that, in the final analysis, customers are the exclusive judges of service quality no matter what the marketer thinks.

If customers disagree with the marketer's perspective then the service is problematic (Berry and Parasuraman, 1991). "There is no other fact or reality about service quality but what customers perceive about a service" (Lewis, 1993).

Service quality has been conceptualized as consisting of two dimensions technical and functional service quality Eisingerich and Bell , 2007).Sharma and Patterson (1999) explain the technical service quality as quality of service output and functional service quality as nature of interaction between customer and service institution. Other authors have also contributed to this theory and explained technical service quality as the 'core service' or the actual outcomes (Lovelock, 1996) or 'what is delivered' and functional quality as 'how' the service is delivered (Parasuraman et al.1994).Due to competition the technical quality is almost like a commodity as it is the same from all the suppliers but the difference is made through the functional service quality (Sharma and Patterson, 1999).

Service quality is the consumer's appraisal of overall quality of service delivery. It is the result of the comparison that consumers make between their expectations about a service and their perception of the way the service has been performed or delivered (Bitner and Hubbert 1994, Rust and Oliver, 1994). This appraisal typically is formed from disconfirmation of expectations of service performance (Parasuraman et al., 1988) or through the assessment performance measures (Cronin & Taylor, 1992). The contention between the two approaches centers on whether service quality is the difference between customers' perceptions and expectations of a service or simply their perceptions.

The disconfirmation approach rests on expectations as reference points against which customers compare their perceived evaluations. Differences between expectations and evaluations denote perceived service quality (Zeithaml et al., 1999). Service quality is sufficient when perceptions equal or exceed expectations. Based on disconfirmation, Parasuraman et al., (1988), developed SERVQUAL, an instrument of items representing five service quality dimensions: reliability, responsiveness, tangibility, assurance and empathy to measure service quality. Studies found satisfactory loading of the scale items when using SERVQUAL to measure service quality across industries including banking and telecommunications (Caruana, 2002).

Some researchers, however, question if people assess service quality by first forming expectations and then comparing them with subsequent perceptions. They contend that perceived service quality arises only from perceptions of service performance, and hence measuring perceptions alone would yield a better indication of service quality than comparing perceptions and expectations. In support, performance –based measures often fare better than disconfirmation –based measures of service quality (Bitner & Hubbert, 1994, Boston & Drew, 1991, Brady et al., 2002).

The difference between disconfirmation and performance – based measures of service quality may be that performance measures suit investigating how service quality relates to dependent factors, whereas disconfirmation–based measures are appropriate for diagnosing service shortfalls (Parasuraman et al., 1994, Zeithaml 1996). This study adopted the SERVIQUAL model and was therefore disconfirmation- based. This study uses the SERVQUAL model to determine the relative importance of each of the service quality attributes which influence customer overall quality perceptions.

Service quality not only play vital role to satisfy customers (Grzinic, 2007) but also considered as a value driven for consumers and a way to position product in a dynamic environment (Kaul, 2005). Understanding the customers' requirement about the service quality and catering the need in this regard is beneficial in many ways (Shahin, 2002).

According to Zeithamal (2006), Services Quality is described as SERVQUAL by five dimensions constructs namely reliability, responsiveness, assurance, empathy and tangibles. Basically these dimensions represent the consumer's criteria of judging service quality. The service quality dimensions identified Zeithamal (2006) are explained below, also Kandful (2002) conclude that Service quality is crucial for the success of any service organization. Consumer assesses service quality by comparing what they want or expect to what they actually get or perceive they are getting. To earn a reputation for quality, an organization must meet-or exceed customer expectations (Zeithaml et al 2001). In their discussion they suggest the expectation covers five areas;

Reliability: The reliability construct in the SERVQUAL model represents the service provider's ability to perform the promised service dependably and accurately. This is achieved through keeping promises to do something, providing right service, consistency of performance and dependability, service is performed right at the first time, the company keeps its promises in accuracy in billing and keeping records correctly ,available merchandise and error-free sales transactions and records. Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. He also mentioned that reliability is the most important factor in banking services (Yang et al., 2003), the higher customers appreciate on reliability, the higher the overall evaluation of retail service quality is (Ndubisi, 2006).

Tangibility: Tangibility relates to the physical aspects or evidence of a service. Physical aspects of retailer include appearance of equipment and fixtures, physical facilities, materials associated with the service, appearance of personnel and communication materials, Convenience of physical facilities and layouts. In addition to the appearance of the facilities, it also takes into account the convenience offered the customer by the layout of physical facilities (Ananth et al, 2011). The higher customers appreciate on the physical aspects, the higher the overall evaluation of retail service quality is (Bellini et al., 2005).

Angur et al (1999) found that business premises should have a high standard of decoration and a nice environment to positively influence service quality which will consequently lead to customer loyalty. The physical service setting is a very important tangible factor that influences service quality perceptions. For instance, Bitner (1992) focused on the elements under the control of businesses at the point of interaction between customers and the firm, arguing that these controllable elements can affect perceptions of service quality and encourage repeat patronage.

Bitner (1992) proposed that the physical setting of the place of service, including not only visual aspects such as color and texture, but also noise, odors, and temperature is of particular importance and capable of altering customer expectations and strongly influencing consumer responses and satisfaction. Bitner (1992) called the combined physical and sensory elements of the place of service the services cape.

Wakefield and Blodgett (1996) also found that services cape in terms of layout, aesthetics, electronic displays, seating, and cleanliness on consumers' perceptions of service quality has a relatively consistent and strong effect on customer retention and their patronage intentions. They noted that the strongest element in the perception of service quality was the "aesthetic appeal of the facility architecture and décor," remarking that customers' first impressions of the facilities influence their overall assessment of the services. Bonn& Mathews (2007) also found substantial evidence that the design of the physical setting and its associated sensory attributes can have a significant effect on customer satisfaction and on a customer's re-patronage decisions.

The professional appearance of staff is an important means of making tangible the intangible service products. Furthermore, the tangibles of a service or service provider can be represented by the physical appearance of employees and other physical infrastructures. This has also seen the introduction of a dress code or uniform for bank employees across the country (Kim & Jin, 2002).

The ambient conditions of the bank greatly contribute to service quality. Brady and Cronin (2001) found that consumers react not only to products, but also to the features that accompany the product. They asserted that consumers make their purchase decision and respond to more than simply the tangible product or service being offered but respond to the total product. One of the most significant features of the total product is the place where it is bought or delivered.

Atmospherics relates to the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability. In some cases, the place, more specifically the atmosphere of the place, is more influential than the product itself in the purchase decision. In some cases, the atmosphere is the primary product.

They called this “atmospherics” or “the effort to design buying environments to produce specific emotional effects in the buyer which enhance his purchase probability.”

Hirschman and Holbrook (1982) reached a similar conclusion on the importance of ambient conditions, finding that sensory input associated with a product led to emotional arousal and caused consumers to recall the product or the events surrounding their interaction with the product or to imagine a sequence of future events. In some cases, this sensory input was recalled more clearly than was the product itself and the emotions triggered were of greater importance than the utility of the product in customers’ ultimate choice of products. Atmospheric clues affect consumer moods and emotions which, in turn, affect purchase behavior and response to products (Jiang and Wang, 2006).

The other tangibility aspect is the interior design of premises and facilities. The interior design of the premises and facilities influences customers’ perception of service quality, customer satisfaction and loyalty. Studies on the influence of the physical interior design of the facility on service quality, customer satisfaction and patronage decisions are in support of this finding.

Sherman et al., (1997) confirmed that the interior environments were important determinants of purchase behavior. Kalcheva and Weitz (2006) found that the interior environment of business settings had an impact on consumer purchasing behavior, particularly on re-patronage intentions or decisions.

Gardner (1985) also examined those aspects of the service environment under marketer control and found that the interior environment had the potential to influence consumers’ mood states in both service encounters and point-of-purchase situations. Gardner noted that the interior design correlated with customers’ moods and found “evidence to indicate that design-related factors can have powerful effects on human behavior. She concluded that the interior design environment (“settings”) is an important aspect of consumers’ mood states and their ultimate evaluations of and responses to their service encounters. Le Bel (2005) & Berry et al., (2006) explored the relation between emotion and perception of service quality with specific reference to the service facility and concluded that the interior environment can create mood or trigger feelings, which in turn affect behavior, customer satisfaction, and perceptions of service quality .

The interior environment can influence customer emotions especially in extended service transactions (Berry et al., 2006). Baker and Cameron (1996) identified three environmental components involved in waiting: ambient elements (non-visual sensory input), design elements (visual components), and social elements (the people in the service setting). The authors found that bright lighting, uncomfortable temperature, fast or loud music, oversaturated and warm colors, uncomfortable seating, and glare create negative emotions and cause customers to overestimate wait times. Conversely, lower lighting levels, temperatures within a comfort range, soft and slow music, light and cool colors, and comfortable seating created positive emotions and caused customers to underestimate wait times.

The adequacy of personnel and facilities are also aspects of tangibility that influence service quality perceptions. They affect the time taken by the business to the deliver the service. Waiting time is a part of many service encounters and can influence service quality perceptions (Taylor 1994; Baker and Cameron 1996; Brady and Cronin 2001). Taylor (1994) and Le Bel (2005) found that in extended service transactions, where customers interact with service providers over long periods of time, emotions are of paramount importance and emotions generated at one stage in the service experience may influence customers' perceptions of later stages of the process (Dube and Menon 2000). When customers perceive waiting time as favorable, they perceive the service quality to be higher (Brady and Cronin 2001). When they perceive waiting time as too long or too short, their evaluation of service quality declines (Taylor 1994).

A study by Reimer and Kuehn (2005) supported this finding. They found that customers look for other indications of quality to form pre-purchase evaluations of the service. All elements of the interior environment, including the physical setting and ambient conditions, function as service clues that give customers an indication of the quality of the service to be received (Reimer and Kuehn 2005) and become important in determining customer loyalty.

Assurance: The assurance construct consists of competence (possession of the required skills and knowledge to perform the service), courtesy (consideration for the customer's property, clean and neat appearance of public contact personnel), credibility and security of the employees and their ability to inspire trust and confidence. According to Sadek et al. (2010), in British banks assurance means the polite and friendly staff, provision of financial advice, interior comfort, eases of access to account information and knowledgeable and experienced management team**.**

This includes employees having knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customer’s requests, giving customers individual attention, showing consistent courtesy with customers and even treat customers properly on the phone. Several studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Ndubisi, 2006; Lymperopoulos et al., 2006). The higher customers appreciate personal interaction, the higher the overall evaluation of retail service quality is. This dimension concerns how knowledgeable and courteous employees are to inspire confidence and trust from their customers .The assurance attributes are all very much about the extent to which a consumer trusts a provider and whether or not they have the confidence in an organization to provide a service securely and competently.

There is a substantial level of trust in the bank and its abilities were necessary to make the consumer comfortable enough to establish a banking relationship. Parasuraman, et al (1991) included actions by employees such as always courteous, behavior instills confidence, and knowledge as prime elements of assurance.

On the aspect of the feeling of safety when transacting with the bank, customers are concerned or interested in security issues regarding on-line, credit card, telebanking, internet transactions. Security and safety are ranked highly in measuring service quality and consequently customer loyalty.

Customers have high expectations regarding feeling safe and secure whilst making transactions. This may be attributed to the nature of the services provided by banks. Customers face much greater risk in terms of fraud and identity theft in banking. This may explain the fact that banks do all they can to assure their customers that transactions with their organizations are safe and secure On whether employees always instill confidence in their bank customers, it is important to acknowledge the fact that customers want to trust and have confidence in the competence of the service provider's employees to deliver the service.

The customer will not be satisfied if he/she does not feel assured about the competence of the service provider. Kumar et al. (2010) and Lai (2004) found that confidence is one of the important factors for assurance. As confidence in one's impressions about the firm increases (Verhoef et al., 2002), trust develops between the parties (Gwinner et al., 1998), and the cost of switching firm rises (Shapiro and Varian, 1999). Moreover, customers weigh prior cumulative satisfaction heavily when they are deciding whether to maintain or terminate their relationship with the bank (Bolton, 1998).

The courteous nature of the service provider's staff also influences the customer's assessment of service quality. The politeness of the employees is an important attribute for evaluating service quality because of the heavy interactional nature of the service, often customer show demanding expectations for politeness of employees. The extensive contact and interactions between the customer and the employees makes it a key variable for service quality.

Responsiveness: Responsiveness is the determinant that defines the willingness to help customers and to provide prompt services. It is the desire and willingness to assist customers and deliver prompt service .It involves features such as the opening hours of the service provider, the politeness of the employees and the time the customer has to wait in order to get the service. In other words, it describes how quickly and affective the response to the customer is willingness to help customers is likely to have an important and positive effect on customer' perceived service quality and customer satisfaction in retail banking. Mengi (2009) also found that responsiveness is positively related to service quality and customer satisfaction).

It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers" safety in their transaction (Kumar et al., 2009). Mohammed and Shirley (2009) found that bank services such as prompt communication to the customer are vital.

Customers are concerned whether their bank will provide the right information to the right customers promptly .This is creates public confidence, and thus helps customers to make the right decisions at the right time. Responsiveness is likely to have an important and positive effect on customer satisfaction (Glaveli et al., 2006).The higher customers appreciate problem solving, the higher overall evaluation of retail service quality.

Empathy: The last dimension of the SERVQUAL model is empathy. Empathy is the caring and personalized attention the organization provides its customers. It is reflected in the service provider's provision of access, communication and understanding the customer. Individual attention, convenient operating hours, understanding of the staff when a problem occurs and the knowledge the employees have of the customers' needs were the primary elements included in the evaluation of empathy.

This dimension captures aspects of service quality that are directly influenced by service provider's policy such as good customer service, convenience of parking and operating hours (Butcher, 2001; Ndubisi, 2006; Ehigie, 2006). The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. The higher the level of empathy, the higher the overall evaluation of retail service quality is.

The aspects that are critical in empathy include employees' knowledge to respond to customer requests or needs. Bank invests heavily on staff training so as to equip them with the necessary knowledge and skills to deal with their customers. On the employees' personal attention to their customers, marketing literature indicates that service providers that provide individualized attention to their customers increase their level of perceived service quality. This is due to the high intangibility of the service and the heterogeneity of it results in an increased focus on the interaction process. This means that employees must be skilled enough to be able to immediately recognize the needs of the customers are critical in order to improve service quality

2.5.2 Price Fairness

The price charged to the customers and the service provided to them usually has the impact toward their satisfaction. According to Kotler and Armstrong (2010) price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service while Stanton Price fairness refers to consumers' assessments of whether a seller's price is reasonable, acceptable or justifiable (Xia et al., 2004; Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and loyalty. Research has shown that customer's decision to accept particular price has a direct bearing at satisfaction level and loyalty and indirectly (Martin-Consuegra, Molina and Esteban, 2007). In another study of (Herrmann et al., 2007), it was concluded that customer Satisfaction is directly influenced by price perceptions while indirectly through the perception of price fairness. The price fairness itself and the way it is fixed and offered have a great impact on satisfaction. Literature explored showed substantive role of price fairness and quality service with customer satisfaction, therefore, this study also comprised these two factors and their effects at customer satisfaction in the banking industry in Tanzania.

2.5.3 Good value

Marketing-orientated companies attempt to create customer value in order to attract and retain customers. Their aim is to deliver superior value to their target customers. In doing so, they implement the marketing concept by meeting and exceeding customer needs better than the competition. (Jobber D, 1995,) Attracting and retaining customers can be a difficult task. Customers often face a confusing array of products and services from which to choose. A customer buys from the firm that offers the highest customer perceived value – the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer to those competitor offers. (Kotler, 2005,)

2.5.4 Employee satisfaction

The organization must consider and treat their employee as their customers. It is very important to the bank managers to show the sense to their employees that they are very important to the bank and treat them well as by having good relation to the workers they will tend to work hard hence satisfying the customers and provide good image to the bank and increase more customers (Walker, 2004). According to (Huber, Herrmaan, and Wrickle, 2001:163), employees who deliver customer satisfaction will not be dissatisfied. This transposes into the fact that employees have to have the necessary knowledge, skills and abilities to perform the task and also be interactively skilled. With regard to the additional complexity and ambiguity created by customer interaction, there are several issues, namely recruiting, selecting, training and rewarding employees for the complex roles they play in customer interactions.

The literature offers several explanations as to why employee satisfaction affects customer Satisfaction (BulgarellaC 2005)

- Employees that interact with customers are in a position to develop awareness of and respond to customer goals and needs
- Satisfied employees are motivated employees; that is, they have the motivational resources to deliver adequate effort and care.
- Satisfied employees are empowered employees; in other words, they have the resources, training, and responsibilities to understand and serve customer needs and demands.
- Satisfied employees have high energy and willingness to give good service at a very

  Minimum, they can deliver a more positive perception of the service/product provided.

- Satisfied employees can provide customers with interpersonal sensibility and social account (i.e., adequate explanations for undesirable outcomes). It has been suggested that these components of interactional justice (that is., quality of interpersonal treatment provided in a negotiation/exchange) have a significant impact on customer satisfaction. According to this view, because satisfied employees experience interactional justice, they can deliver it; that is, satisfied employees have enough emotional resources to show empathy, understanding, respect and concern.

2.6 Empirical literature review

IFAD (2007) studied customer satisfaction in rural micro-finance institutions in Uganda, Kenya and Tanzania. Combining qualitative (14 focus group of 71 clients) and quantitative approaches (209 interviews), this study assessed the determinants of customer satisfaction for rural customers accessing both credit and savings facilities. Results revealed that " customers prefer unlimited access to their savings while on credit facilities, customers want to have access to loan amounts they actually apply for at a 'reasonable' price and on flexible repayment term conditions" . The study suggested also that surveyed customers were all satisfied exhibiting a Customer Satisfaction Index of 81%. The study concluded that "financial services should be delivered by courteous staffs that preferably are not being 'changed /swapped".

Murray (2001) concentrated his study on customer satisfaction levels using data from four MFIs affiliated to Women's World Banking in three countries: Colombia (America), Bangladesh (Asia) and Uganda (Africa) with a total sample of 3,000 clients. Using Likert's scale, the author took into account expectations and perceptions items plotting results on a two-axis grid. Results proved that customers are more satisfied by accessing higher loan amounts, faster turnaround times, lower loan requirements and lower prices. However, it seemed that customers preferring to develop a long-term relationship with the MFI want to be given preferential treatment while all customers are demanding increasing levels of customer service.

Othman and Owen (2001) conducted a study about customer satisfaction in Islamic Banks by using the service quality model. Their study used a survey of 360 customers selected by Systematic Random Sampling. Using CARTER model scale, their results suggested that customer satisfaction in Islamic banks "should be measured through the proposed 34 items instead of reducing it into the original number of SERVQUAL's five dimensions and their 22 items". Their results indicated that in Islamic banks, managers and practitioners should be aware of cultural or religious dimension.

Alhemound (2007) investigated customer satisfaction in the banking sector in Kuwait. His study used a sample of 605 randomly selected retail customers. Using descriptive statistics, Correlation and ANOVA tests, his results showed that, in general, customers in Kuwait are satisfied with services provided by retail banks. In this regard, customer satisfaction is mainly driven by: "availability of ATM in several locations, safety of funds, easy to use ATM and the quality of services provided"

Research on customer satisfaction has recently gained interest in literature. The following is review of same studies in that field.

Mbungwana (2009) conducted research on customer satisfaction in hotels in Cape Town Cape Peninsula University of Technology. The study aim at investigating how hotels make sure they satisfy their customers. The findings were as follows; (1) the hotels have developed a program to maintain good customer relations. (2)The hotels make use of specific processes to gathering customer's suggestions, feedbacks and complaints to assess customer satisfaction. (3) Managers' shares information and guests experiences with workers.

(Hanif, Hafeez and Riaz, 2010) studied factors affecting Customer Satisfaction in Pakistanin telecommunication, the results of the study focused at customers of telecommunication companies shows that if a brand is fulfilling its promises, it would enhance customer satisfaction and create a feeling in customer that he/she has chosen one of the best brands. The paper has taken into account all the dimensions that would be accounted for customer satisfaction like coverage quality, over all experience and fulfillment of communication needs. Researchers in addition found that customer satisfaction is created once the primary needs of customer are met by the brand. They also reveal that Price fairness plays a major role. If a brand is providing compatible price and increase in price are fair then customer takes it positively which create a sense of satisfaction among customers and vice versa. In Pakistan most of the customers are price sensitive so price fairness of any brand is a major driver of repurchase decision. Telecommunication is almost homogenous in Pakistan so even a small difference in price would influence customer behavior.

Ishaq. (2011) conducted a study on customer satisfaction and behavioral responses in Pakistani banking sector. The purposes of the study were to determine the behavior responses of customers and customer satisfaction. The study findings showed that four dimensions of service quality have an impact on behavioral responses of the banking clients. Convenience, physical evidence and product innovation put positive impact on behavioral response means these dimensions create positive word-of-mouth communication through the customers and customer's loyalty and intention to stay with the current bank will increases and pricing will put negative impact on behavioral response.

(Hossein and Parisa, 2011), Conducted a research on factors affecting customer satisfaction in Outsourcing IT services in University of Isfahan. The researchers brought a fresh understanding of the determinants of customer satisfaction specific to outsourced IT services in the Isfahan University from an internal researcher's perspective, and filled acknowledge gap in the area. Seven significant determinants of customer s satisfaction and their components were identified as related to service quality. These seven determinants of customer satisfaction are responsiveness, reliability, quality of communication, service attitude, empathy, quality of information, and ethics. Corporate training in three competency areas attitudinal competency, technical competency, and communication competency was recommended.

(Johnston, 2007) conducted a study on customer satisfaction in retail bank Zimbabwe. His study revealed that the service features of branch, staff and information were dominant factors. He furthered argued that if some elements of service quality, if improved, enhance the satisfaction levels of the customers, while on the other hand, other elements may not improve satisfaction but simply function to keep dissatisfaction at bay or at best, reduce dissatisfaction alone.

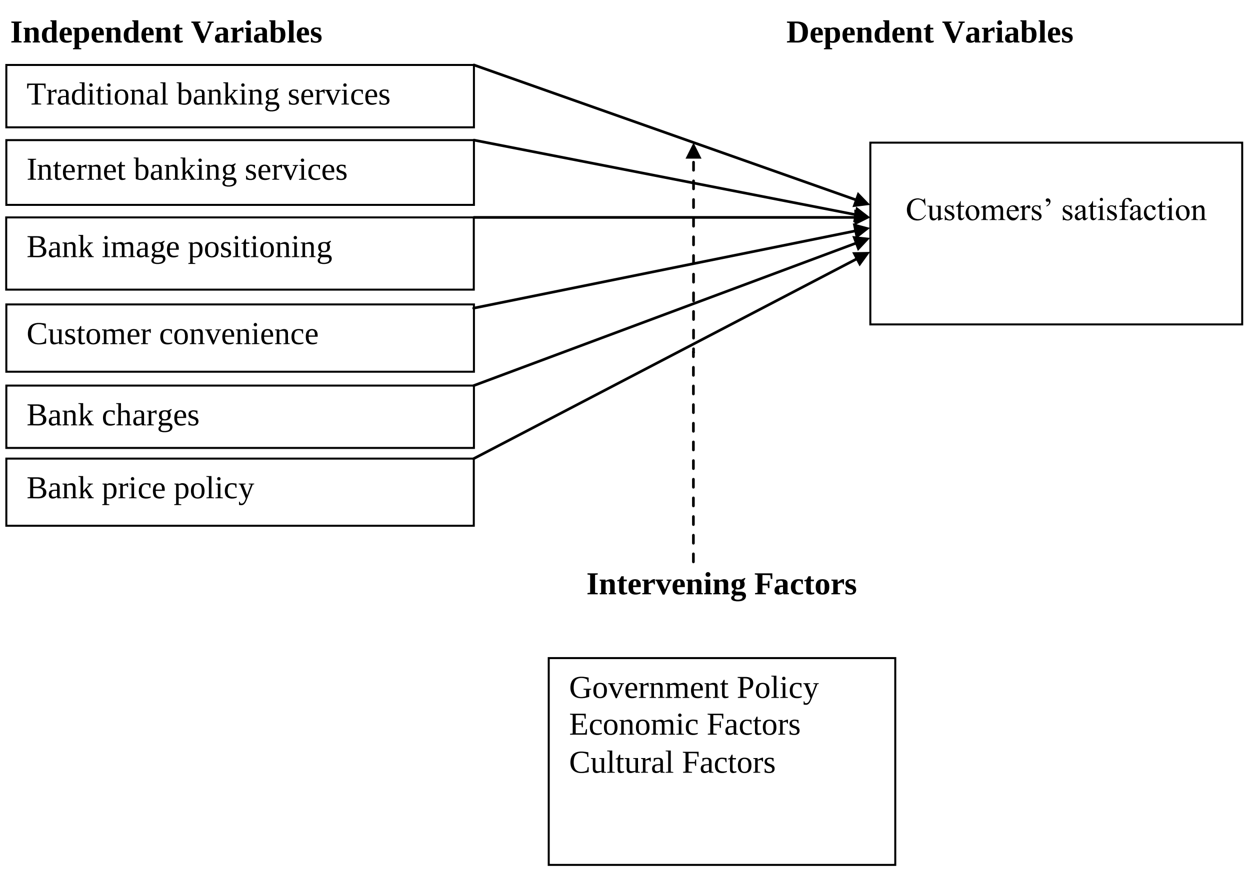
(Dawar, 2013) did a study on factors affecting customers in electronic banking services in Malaysia, the study revealed that staff knowledge, behavior, online banking, e-channel management & support system, amount charges, and language information are the main factors that affect customers satisfaction in Malaysia.

All these customers satisfaction studies discussed above were conducted outside Tanzania and some of the studies as shown in the literature were not on banking industry context and therefore little or no research on customer satisfaction in banking industry in Tanzania. This study bridges the gap by investigating factors affecting customer's satisfaction in Tanzania banking industry a case of NMB Bagamoyo Branch.

2.7 Conceptual frame work

The conceptual frame work as indicated in figure 1.1 identify independent variable as traditional banking services, internet banking services, bank image positioning, customer convenience, bank charges, bank price policy that together form the overall customer satisfaction. In addition there are also intervening variable which are government policy, economic factors cultural differences that have a moderating effect on the impact of factors affecting customer satisfaction.

Figure 2.1 **Conceptual framework**



Source: Developed for this research, 2014

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This study was designed for an intensive review of the factors affecting customer satisfaction in banking industry with specific attention of determining the level of customer satisfaction at NMB Bagamoyo branch, factors affecting customers satisfaction at NMB Bagamoyo branch and examining the challenges that NMB Bagamoyo branch management face in satisfying customers, based on a review of available literature, web-based materials and information. Review of literature was conducted using searchable database. From the references on the subject, identified literature was gathered from libraries and internet sources and an assessment of the current scenario was made to prepare the background of the paper as well as to collect data pertaining to the objectives of the present study. The format for data collection based on the sample size selected to infer the targeted population through using structured questionnaires.

3.1Research design

Research design has been defined by Kothari (1997) as a plan of action through which a researcher organizes his /her work from data collection, organization to analysis. A research design is basically a logical and systematic plan prepared for conducting a research study (kumar, 2008). The research design of a study outlines the basic approach that researchers use to answer their research questions (Polit&Beck, 2010). The research design ensures that all aspects of the study are well addressed and implemented.

This study used the case study design and NMB Bagamoyo branch was the case. The aim was to have the detailed and intensive analysis of the case as pointed out in (Bryman, 2004). Moreover, with this method many sources of data which are relevant to the study was used, which included documentation, interviews, direct observation, and group discussion. No single source has a complete advantage over the other; rather, they might be complementary and could be used in tandem.

3.2 Research strategy/approach

The two main types of research approaches are quantitative and qualitative. Quantitative research involves collecting and converting data in to numerical form so that statistical calculations can be made and conclusions drawn (Freitag, 2009) whereas the qualitative approach to research is concernend with subjective assesment of attitudes, opinions and behavoiur (kothari, 2008).

To achieve the research objectives and to address the research problem the researcher used both qualitative and quantitative approaches to gather information for answering the research quaestions. The intent in using both approach was to bring together the differing strengths and nonoverlapping weaknesses of quantitative methods with those of qualitative methods. Thus the quantitative aproach involved the use of questionnare while the qualitative approach involved the use of indepth interview in collection of informations from the respondents who are customers of the bank and bank officers.

3.3 Area of the Study

The study conducted in Pwani region, Tanzania at NMB branch at Bagamoyo district; the district is situated on a massive natural harbor on the Eastern Indian Ocean coast of Africa, with sandy beaches in some areas. The reason for choosing the area is because NMB is a leading bank with many branches and customers located all over Tanzania in both rural and urban areas and longtime experience to the sector hence studying it enabled the researcher to get reliable and experienced information which has been important for accomplishment of the study. In addition to that is its convenience for a researcher because she works at the bank and reside in the area.

3.4 Target Population

A population in research refers to those elements that make up the focus of the study that fit fixed criteria (LoBiondo & Haber, 2010). The target population is the aggregate of cases about which the researcher would like to make generalizations (Beck &Polit, 2004). The target population in this study was all active customers and bank officers of the NMB Bagamoyo branch, where the results have been generalized to the whole banking industry in Tanzania.

3.5 Sample Size

The researcher in this study used 95% as the confidence interval which gave the margin of error (risk of being wrong) of 5% or 0.05 therefore error of tolerance used was 0.05. Sample size is a small part of the population used to infer the whole population (Kothari, 2011) also is a representative group of subjects so that results can be generalized to that population Fraenkel&Wallen, (2010). This study has employed Slovin's Formula to obtain a sample size from the target population of 9,600 NMB customers Bagamoyo branch and 12 bank officers of NMB Bagamoyo branch as shown below;

Slovin's Formula

$$n = N / (1 + Ne^2)$$

Where;

n = Sample size

N = Total population

e = Error tolerance

Then;

From the NMB Bagamoyo branch 9,600 customers

$$n_1 = 9{,}600 / (1 + 9{,}600 * 0.05^2)$$

$$n_1 = 384 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots. *$$

From 12 bank officers of NMB Bagamoyo branch, since the number of them is very small then according to slovin's formula it gives a sample of all 12bank officers.

Hence;

$$n_2 = 12 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \;**$$

Therefore, the total sample size investigated during the study is (n_1 + n_2) which give a sample of 396.

Given the target population of the NMB customers and NMB bank officers, the judgmental sample size suggested were 396 respondents including 384 customers and 12 NMB officers, which focused on customers who joined NMB Bagamoyo branch for not less than 12months. As noted byPolit & Beck (2010) researchers should select the largest sample possible so that it is representative of the target population.

3.6 Sampling Procedures

Sampling procedures involves selecting a sample (number of individual or object) from the population such that the selected group contains element representative of the characteristics found in the entire group (Saunders, 2000). The sampling procedures are divided into two main categories: probabilistic and non-probabilistic sampling. Probability sampling is where the subjects of the population have some known chance of being selected as a sample and non-probability sampling is the one where subject does not have any known chance of being selected as a sample. There are four major non-probability sampling designs: convenience sampling, quota sampling, purposive/judgmental sampling and snowball sampling and there are five major probability sampling design: simple random sampling, systematic sampling, stratified sampling, cluster sampling and multi stage sampling.

This study used only one sampling design from probability and non-probability sampling in obtaining participants in sample from the population as explained below;

3.6.1 Purposive Sampling

The study used purposive sampling. A purposive sample commonly called a judgmental sample is the one that is selected based on the knowledge of a population and the purpose of the study. The researcher used this technique to select a small group of NMB officers whom have been in the banking industry for at least 12 months and customers, who joined the NMB bank for not less than 12months; who are in position to provide better information of the study. Cavana et al (2001) indicated that this procedure can be used with both quantitative and qualitative researches as in this study.

3.7 Data Sources

Data related to the study have been obtained from primary and secondary sources.

3.7.1 Primary Data

Kothari (2008) defined primary data as “data collected afresh and for the first time and that happened to be original in character”. In this study the research instrument which was used in collecting primary data was self-administered questionnaires and the research method was an in-depth interview.

3.7.2 Secondary Data

This is the data that has already been collected by other people for other purposes this is sometimes called second hand information. Secondary data include both raw data and those published data (Saunders et al., 2000, p.188). These secondary data for this study was collected from reports, newspapers, articles related to the banking industry and online journals.

3.8 Data Collection methods and Instruments

Research instruments that are applied in data collection include questionnaires for in-depth interview method and guiding questions or checklist for the focused group discussion method and observation method. The selection of data collection method has relied on the objectives of this study, population sample and geographical distribution.

3.8.1 In-depth Interview

This data collection method was used in this study. Interview is a meeting of two persons to exchange information and idea through questions and responses, resulting in communication and join construction of meaning about aparticular topic. An interview is classified into three types, namely Non-StructuredInterview, Semi Structured Interview and Structured Interview. Boyce (2006) defined in-depth interviewing as a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation.

The in-depth interviews were conducted to both NMB officers and the NMB customers. Semi structured interview is the type of interview having a guideline that focuses on the problem and related to the topic but there is no need to follow all the guidelines because as the interview process is taking place, there was a new thought or idea which come out during the interview session. The semi-structured interview technique for the current research was used since it provided opportunities for both interviewer and interviewee to discuss the topic in more detail, allowing the interviewees to freely and fully express their views.

3.8.1.1 Questionnaires

According to Ebbut (2011) questionnaire is some written questions proposed to the respondent to be answered in written form. A questionnaire can also be referred to as a series of questions designed to provide accurate information from every member of the sample. To achieve this, a questionnaire should be clear, easy to understand, unbiased and should maintain the respondents' interest, and motivations (Betram, 2004). The researcher developed the questionnaire with only closed ended questions to simplify as well as to enrich the information to be obtained from respondents. Furthermore the survey instrument (questionnaire) contained 5 Likert scale rating questions and statements.

The questionnaire consisted of two major sections. The first section contained questions about personal profiles of the respondents including gender and age. The second section was on the factors affecting customer satisfaction in banking industry and contained four parts A, B, C, and D which administered to both NMB customers and officers through face to face interview and FGD.

3.9 Validity and Reliability of Research Design

The credibility of research findings depends on reducing the possibility of getting the answers wrong. For this reason, research design is very crucial. In order to reduce the possibility of getting an answer wrong the attention has to be paid to two particular emphases on research design: reliability and validity (Saunders *et al.*, 2007).

3.9.1 Reliability

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. The statement simply means, if the study is carried out again will it give similar results, however the reasons that may cause reliability to be defective, usually have to do with sampling, different measurement and handling mistakes (Heikkila&Tarja, 2004). It is in this regard that the researcher has to be accurate and critical throughout the research as mistakes might happen when, collecting, feeding and handling the information, or interpreting the results.

The major research tool which was used in this study is questionnaire as Charles (1995) argues to the notions that consistency with which questionnaire [test] items are answered or individual's scores remain relatively the same can be determined through the test-retest method at two different times. This attribute of the instrument is actually referred to as stability. If the researcher is dealing with a stable measure, then the results should be similar.

Therefore to ensure reliability, before administering the research instrument (questionnaire) the pre-test of the questionnaires was done with colleagues to check the effectiveness and make corrections where necessary. This ensured that the respondents would find the questionnaires friendly and simple to respond so as to provide precise data.

3.9.2 Validity

An instrument of data collection is said to be valid when it measures what it is supposed and designed to measure. Kothari (2000) defines validity as the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity is concerned with two main issues: whether the instruments used for measurement are accurate and whether they are actually measuring what they want to measure (Winter, 2000). Lewis and Ritchie (2003) indicated that the validity of research is conceived as the precision or correctness of the research finding. Arksey and Knight (2006) and Winter (2000) identified two different dimensions to the concept of validity, namely internal and external validity.

3.9.2.1 Internal validity

This ensures that the researcher investigates what he claims to be investigating. Therefore in this study the internal validity was achieved by specifying the units of analyses.

3.9.2.3 External validity

This is concerned with the extent to which the research findings can be generalized to wider population. It shows the extent to which the findings of the study are relevant not only to the target population but also to the wider population (Malhotora, 1993; Yin 1994).Therefore the external validity for this study was achieved by analytical generalization through comparing evidence with existing literatures.

3.10 Data Analysis

The study used both quantitative and qualitative tools in analyzing and presenting the data.

Quantitative Data

There are several software packages for the analysis of quantitative data some of which are broader in scope and user friendly like the Statistical Package for the Social

Sciences (SPSS) and Microsoft Excel. The researcher used Statistical Package for the Social Sciences (SPSS) and Microsoft Excel for data input and analysis.

Qualitative Data

Data analysis from qualitative data was analyzed using content analysis which involved summarizing the findings in terms of themes and main issues raised by the interviewees which was further linked to research objectives to generate meaning.

3.11 Ethical Considerations

Conducting of research requires not only expertise and diligence on the part of the researcher, but also honesty and integrity as part of ethical considerations. The major ethical considerations required in the research study are privacy, confidentiality, informed consent and anonymity (Cooper and Emory, 1991). The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities. In due course of collecting data, the researcher will adhere to the following ethical standards;

- The researcher ensured as much as possible that there is a voluntary participation of the respondents and respected the rights of individuals to withdraw from the questionnaire any time. This right was explained to the respondent before he or she has been handed the questionnaire.
- The respondents were assured that anonymity and confidentiality would be maintained. Anonymity occurs when even the researcher cannot link a participant with the information for that person (Beck &Polit, 2004, p.711). Confidentiality is maintained when participants are protected in a study such that individual identities are not linked to the information provided, and are never publicly divulged (Beck &Polit, 2004, p.712). The questionnaire was designed in such a way that it does require respondents to write their names and other personal details on the forms.
- Furthermore the collected data was represented as a group aggregates rather than individual analysis.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction

The aim of this research was to examine the factors affecting customer satisfaction in banking industry in Tanzania a case of National Microfinance Bank (NMB) at Bagamoyo branch.

The study was guided by the following objectives which form the basis for findings presented for discussion

i. To determine level of customer satisfaction at NMB Bagamoyo branch
ii. To determine factors affecting customers satisfaction at NMB Bagamoyo branch
iii. To examine the challenges that NMB Bagamoyo branch management face in satisfying customers

4.2 Demographic background of the respondents

The study involved two categories of respondents' namely NMB customers and NMBs' staff. The majority of respondents were customers (384) and the rest who were a few included the staffs (12) of NMB. A total of 396 questionnaires were sent out and all were returned completed and useable.

4.2.1 Respondents' gender

Table 4.1 Gender of customer's respondents

Gender	Frequency	Percent	Cumulative Percent
Male	262	68.2	68.2
Female	122	31.8	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

As shown in Table 4.1 above, 68.2% of respondents were male and 31.8% were female. This means that most of the respondents interviewed during the study of Factors affecting customer's satisfaction in banking industry in Tanzania: a case of national microfinance bank (NMB) Bagamoyo branch were males since the table above shows more than half.

Table 4.2 Gender of Employees

Gender	Frequency	Percent	Cumulative Percent
Male	6	50.0	50.0
Female	6	50.0	100.0
Total	**12**	**100.0**	

Source: Field data, 2014

Table 4.2 shows that 50% are male employees and 50% are female employees, which could imply that, information provided about the study were gender balanced as portrayed in the table above.

4.2.2 Respondents' age

Table 4.3 Ages of Customers

Age of respondents	Frequency	Percent	Cumulative Percent
18-30	83	21.6	21.6
31-40	137	35.7	57.3
41-50	98	25.5	82.8
51 and above	66	17.2	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

The table above (4.3) shows that 35.7% of customer respondents' age was between 31 to 40 years, this was followed by 25.5% of the age which was between 41 to 50 years, 21.6% of respondents who were between the age of 18 to 30 years and the last one was 17.2% of those who are 51 years and above. This implies that

Table 4.4 Employees' age

Age of Employees	Frequency	Percent	Cumulative Percent
18-30	5	41.7	41.7
31-40	4	33.3	75.0
41-50	3	25.0	100.0
Total	**12**	**100.0**	

Source: Field data, 2014

The above table shows the ages of the employees of NMB Bagamoyo branch, the finding revealed that 41.7% of employees are at the age of 18 to 30 years, followed by 33.3% of employees who are at the age of 31 to 40 years and 25% of employees fell in the last age category of 41 to 50 years.

4.3 Customer satisfaction

To determine level of customer satisfaction at NMB Bagamoyo branch, respondents were asked to rate their satisfaction with the services of NMB Bagamoyo branch. The scale was from the lowest satisfaction to the highest satisfaction. The results are summarized below:-

Table 4.51 Meaning Attached to the Various Response Values

Response Value	Meaning	Meaning of collapse category
1.	Very Dissatisfied	Dissatisfaction
2.	Dissatisfied	
3.	Neutral	Neutral
4.	Satisfied	Satisfaction
5.	Very Satisfied	

Source: Developed for this research, 2014

Table 4.5 presents scores or response values, 1 and 2 would be regarded as "dissatisfaction" with the particular statement, the response value 3 would be regarded as “neutral” with a particular statement while 4 and 5 would be regarded an “satisfaction” with the particular statement.

Table 4.6 Complain handling

Complaining Handling	Frequency	Percent	Cumulative Percent
Very dissatisfied	32	8.3	8.3
Dissatisfied	48	12.5	20.8
Neutral	6	1.6	22.4
Satisfied	231	60.2	82.6
Very satisfied	67	17.4	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.6 above indicates that 77.6% of the respondents are satisfied with complain handling by NMB’s customer care followed by 20.8% of respondents who are dissatisfied. However 1.6% of the respondents were neutral. This would mean that the NMB system of handling complaining is good but might need some adjustments so as to satisfy even that group whom are dissatisfied and neutral.

Table 4.7 Quick service

Provision of quick service by NMB	Frequency	Percent	Cumulative Percent
Very dissatisfied	71	18.5	18.5
Dissatisfied	144	37.5	56.0
Neutral	9	2.3	58.3
Satisfied	127	33.1	91.4
Very satisfied	33	8.6	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.7 shows that 56% of the respondents are dissatisfied with the consistence of NMBs’ bank tellers in providing quick service, 41.7 % of the respondents were satisfied and only 2.3% of the respondents were neutral.

Table 4.8 Security

Security services by NMB	**Frequency**	**Percent**	**Cumulative Percent**
Very dissatisfied	30	7.8	7.8
Dissatisfied	96	25.0	32.8
Satisfied	173	45.1	77.9
Very satisfied	85	22.1	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.8 reveals that 67.2% of respondents are satisfied with the security services being provided by NMB and only 32.8% of respondents are dissatisfied. This implies that, the security services of NMB are good since more than half of the respondents were satisfied.

Table 4.9 Opening and closing hours

Opening and closing hours by NMB	**Frequency**	**Percent**	**Cumulative Percent**
Very dissatisfied	16	4.2	4.2
Dissatisfied	174	45.3	49.5
Neutral	12	3.1	52.6
Satisfied	150	39.1	91.7
Very satisfied	32	8.3	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Based on table 4.9, it can be seen that 49.5% of the respondents are dissatisfied with the opening and closing hours of NMB bank, 47.4% of the respondents are satisfied and 3.1% of the respondents are neutral. This implies that, the opening and closing hours could be adjusted so as to satisfy another half of whom are dissatisfied.

Table 4.10 Service charges

NMB service charges	**Frequency**	**Percent**	**Cumulative Percent**
Strongly Disagree	11	2.9	2.9
Disagree	63	16.4	19.3
Neutral	21	5.5	24.7
Agree	196	51.0	75.8
Strongly Agree	93	24.2	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.10 above shows that 75.2% of the respondents are satisfied with NMB service charges, 19.3% of the respondents are dissatisfied. However 5.5% of the respondents are neutral.

Table 4.11 Location

Location of NMB	**Frequency**	**Percent**	**Cumulative Percent**
Very dissatisfied	11	2.9	2.9
Dissatisfied	121	31.5	34.4
Neutral	31	8.1	42.4
Satisfied	115	29.9	72.4
Very satisfied	106	27.6	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.11 reveals that 57.5% of the respondents are satisfied with the location of NMB, 34.4% of respondents are dissatisfied and only 8.1 % of the respondents are neutral.

Table 4.12 Interest rate

Interest rate charged on loans provided by NMB	Frequency	Percent	Cumulative Percent
Very dissatisfied	34	8.9	8.9
Dissatisfied	179	46.6	55.5
Neutral	51	13.3	68.8
Satisfied	107	27.9	96.6
Very satisfied	13	3.4	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

The table above shows that 55.5% of the respondents are dissatisfied with the interest rate charged on the loans provided by NMB, 31.3% of the respondents are satisfied and only 13.3% of the respondents were neutral.

4.4 Factors affecting customer satisfaction

To determine factors affecting customers satisfaction at NMB Bagamoyo branch
The researcher used the five point Likert Scale: 1= strongly disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= strongly agree each item was measure the factors that affect customers' satisfaction at NMB Bagamoyo branch.

Table 4.13 Meaning Attached to the Various Response Values

Response Value	Meaning	Meaning of collapse category
1.	Strongly Disagree	Disagreement
2.	Disagree	
3.	Neutral	Neutral
4.	Agree	Agreement
5.	Strongly Agree	

Source: Developed for this research, 2014

As presented in Table 4.13 above scores or response values for 1 and 2 would be regarded as "disagreement" with the particular statement, the response value 3 would be regarded as "neutral" with a particular statement while 4 and 5 would be regarded an "agreement" with the particular statement.

Table 4.14 Offering treatment to all customers

NMB offering equal treatment	Frequency	Percent	Cumulative Percent
Strongly Disagree	40	10.4	10.4
Disagree	94	24.5	34.9
Neutral	47	12.2	47.1
Agree	190	49.5	96.6
Strongly Agree	13	3.4	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

As presented in table 4.14 above, 52.9% of respondents agreed that equal treatment offered by NMB have an influence on customers' satisfaction, followed by 34.9% who disagreed and 12.2% of the remaining respondents were neutral. This implies that unequal treatment to costumers may negatively impact the overall customer satisfaction.

Table 4.15 Number of employees

Number of employees	Frequency	Percent	Cumulative Percent
Strongly Disagree	13	3.4	3.4
Disagree	103	26.8	30.2
Neutral	31	8.1	38.3
Agree	172	44.8	83.1
Strongly Agree	65	16.9	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

As indicated in table 4.15 above, 61.7% of respondents agreed that the number of employees of the bank contribute to a customer satisfaction in NMB, 30.2% of the respondents disagreed while only 8.1% of respondents were undecided (neutral), these results suggest that the number of employees in the bank has no that much contribution to the customer satisfaction.

Table 4.16 Employees are friendly

Employees friendliness	Frequency	Percent	Cumulative Percent
Strongly Disagree	47	12.2	12.2
Disagree	99	25.8	38.0
Neutral	43	11.2	49.2
Agree	166	43.2	92.4
Strongly Agree	29	7.6	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.16, reveals that 50.8% respondents agreed that good hospitality in NMB contribute to the customer satisfaction, 38% of the respondents disagreed and only 11.2% of respondents were neutral. These results suggest that

Table 4.17 Security of customer transaction data

Security	Frequency	Percent	Cumulative Percent
Strongly Disagree	17	4.4	4.4
Disagree	95	24.7	29.2
Neutral	7	1.8	31.0
Agree	209	54.4	85.4
Strongly Agree	56	14.6	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

The table 4.17 above shows that 69% of respondents agreed that security that NMB provides to customers' transaction data has an influence on the customers' satisfaction; however 29.1% of the respondents disagreed while 1.8% of the remaining respondents were neutral. This suggests that, though more than half of the respondents agreed on the security offered by NMB but effort must be done so as all customers could be satisfied by the security services, hence overall satisfaction.

Table 4.18 Easy logging on bank's online portal

Easy access to NMB portal	Frequency	Percent	Cumulative Percent
Strongly Disagree	24	6.3	6.3
Disagree	68	17.7	24.0
Neutral	4	1.0	25.0
Agree	259	67.4	92.4
Strongly Agree	29	7.6	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.18 reveals that 75% of respondents agreed that easy access to logging on NMB online portal contribute to customers' satisfaction, followed by 24% of the respondents who disagreed while only 1% of respondents were undecided (neutral), these results suggest that the online portal is working properly but needs some improvements so as to impact the overall customer satisfaction.

Table 4.19 Time limits

Adherence to time limits	Frequency	Percent	Cumulative Percent
Strongly Disagree	38	9.9	9.9
Disagree	61	15.9	25.8
Neutral	38	9.9	35.7
Agree	178	46.4	82.0
Strongly Agree	69	18.0	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.19 shows 64.4% of respondents agreed that adherence to time limits by NMB have an influence on the customers' satisfaction, 25.8% of the respondents disagreed while 9.9 % of the remaining respondents were neutral. This implies that customers are not satisfied with the limits of time, since more than half of the respondents interviewed revealed that.

Table 4.20 Correction of mistakes

Promptness in correction of mistakes	Frequency	Percent	Cumulative Percent
Strongly Disagree	18	4.7	4.7
Disagree	86	22.4	27.1
Neutral	28	7.3	34.4
Agree	217	56.5	90.9
Strongly Agree	35	9.1	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

As shown in table 4.20 above, 65.6% of respondents agreed that promptness in correction of mistakes by NMB's staff have an influence on the customers' satisfaction, 27.1% of respondents disagree, while 7.3% of remaining respondents were neutral. This implies that promptness is the key thing for the customer's satisfaction, since more than half of the respondents agreed during the interview.

Table 4.21 Willingness to help customers

Willingness to help customers	Frequency	Percent	Cumulative Percent
Strongly Disagree	34	8.9	8.9
Disagree	99	25.8	34.6
Neutral	30	7.8	42.4
Agree	150	39.1	81.5
Strongly Agree	71	18.5	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

Table 4.21 above reveals that 57.6% of respondents agreed in willingness to help customers by NMB's staff have an influence on the customers' satisfaction, 34.7% of respondents disagree, while 7.8% of remaining respondents were neutral. This implies that willingness by all staffs of NMB is the most important thing which means keeping in the mind that a customer is a boss and it has been clearly shown by more than half of the respondents of this study.

Table 4.22 Customers Privacy

Privacy	**Frequency**	**Percent**	**Cumulative Percent**
Strongly Disagree	5	1.3	1.3
Disagree	37	9.6	10.9
Neutral	13	3.4	14.3
Agree	199	51.8	66.1
Strongly Agree	130	33.9	100.0
Total	**384**	**100.0**	

Source: Field data, 2014

According to the findings in table 4.22 , 85.7% of respondents agreed that customers' privacy being offered by NMB have a great influence on customers' satisfaction, followed by 10.9% who disagree and 3.4% of the remaining respondents were neutral. This implies that

4.5 Challenges that NMB Bagamoyo branch management face in satisfying customers

Customers

One of the most difficult things about satisfying the customers as mentioned by the customers was the people. Working in banks makes the workers and the bank management interacts face to face with different type of customers like furious ones, irate, or unruly customer. Workers of the NMB bank Bagamoyo branch sometimes get fear the customers, but still tried to find the true ways to smooth over the situation in a way that works for them, since in Bagamoyo NMB bank the most important thing is the customer. This entailed simply satisfying the customer with a "customer is always right" attitude", the other challenge mentioned was to be adamant in a position or compromising.

Being a good listener

Being a good listener seems to be the challenge to the workers of NMB Bagamoyo branch since deep down, most difficult customers understands that occasional mistakes are a normal, unavoidable part of the running of the bank especially at NMB Bagamoyo branch. Most angry customers don't expect perfection. Rather, angry customers want more than anything to know that their problems are being taken seriously.

Apologize

The result of the study portrayed that an apology seems to be not within every NMB bank employee's capacity, no matter what his or her role in the Bank is. It was difficult to look at the customers in a right way in the eyes and satisfy them by the expression and tone of voice sincerely.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings relating to each research objective as given in chapter 4. Conclusions are drawn on the findings presented in chapter 4. The chapter further presents recommendations to various banks and financial institutions based on the views of respondents and research findings. The area for further research are also proposed based on the gaps in body of knowledge that were identified in this study but could not be addressed in this research due to its scope and time constrain.

5.1 Summary

The findings of this research reveal that respondents (customers) were satisfied/strong satisfied with the service provided from the NMB bank Bagamoyo branch basing on tested variable which were: respect shown by staff, staff were considerate to guest need, easy to contact staff member, friendliness of staff, easy of obtaining information from the staff, extra personal attention, international sign in public area, physical appearance/condition of premises, standard of the public area, ability of staff to speak foreign language, and language adjustment attempted by staff.

Respondents' majority (over 50%) of the customers were satisfied in almost all 24 variables suggesting that most of the bank operators are performing above average in their effort to meet customer satisfaction. However (1.0-25.7%) was dissatisfied and (1.0-18.1%) was undecided (neutral). Thus bank operators/companies should focus on this group.

5.2 Conclusion

Manager's views

The findings revealed that there several factors that affecting customer satisfaction in banking industry and this include; employee satisfaction, good value for money, service quality, employee knowledge, respect shown by the staff, and waiting games. The customers were asked to talk about those factors and the results were almost half of the respondents shown positive in all those factors.

In conclusion customer satisfactions include understanding of above factors as they are important for their satisfaction. In this research most managers were able to understand these variables and that's why half of the respondents talked positively.

Customer's views

The research findings indicate that several factors affecting customer satisfaction in Banking industry, those factors include employee satisfaction, good value for money, service quality, employee knowledge, respect shown by the staff, and waiting games.

Most of the respondents agreed on these factors, and majority that is over 50% of all respondents who fill the questionnaire were satisfied/strong satisfied with he tested variables However, less than 30% disagreed and around 20% of respondents were undecided/neutral.

In conclusion, bank management needs to have the great understanding of the above factors as they have a great influence of customer satisfaction.

5.3 Challenges faced management in satisfying customers

The findings revealed that there were list of challenges that management face on satisfying customers such as looking for some of foreign customers who are very hard to handle, inefficiency of services delivery system, poor customer care, lack of proper training on good customer/service delivery, and lack of competent staff.

In conclusion, the bank management should focus on how to improve on those challenges so that they can prove the quality and standard of their services which in turn will lead to customer satisfaction.

5.3 Recommendations

In the course of this research several factors affecting customer satisfaction in the banking industry were identified, the following are recommendations to address each of them

The research revealed that more than half of the respondents shown that, security of customer transaction, number of employees and promptness in correction of mistakes of which this had a negative impact on customers' satisfaction. NMB should develop a good security system, number of employees and being accepting their mistakes so as to rectify. This will insure fully customer satisfaction.

The research revealed that bank workers have little or no concept of customer care. This led to provision of substandard customer service. The bank should train their employee on customer care. This will insure provision of the appropriate customer service to clients even minimize customer complaints and dissatisfaction

5.4 Suggested areas for further research

This study identified other researcher areas for further investigation and each is represented next

The research revealed that there is arbitrary classification of banking industry in Bagamoyo, Research is needed for identifying classification criteria.

The research examined factors affecting customer satisfaction in banking industry at Bagamoyo. There is a need for extensive studies on the same topic in other areas of Tanzania if the results have to be generalized to entire country.

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APPENDIX 1

QUESTIONNAIRE

Dear respondent

My name is Elizabeth Ibrahim Chawinga I am a student of Business Administration Corporate Management at Mzumbe University Dar-es-salaam Campus College. As part of my studies, I am currently conducting research study on Factors affecting customer satisfaction in NMB bank in Tanzania.

In the following questionnaire I would like to know your opinion /view about factors that are affecting your satisfaction in NMB bank. The research findings will provide a basis for improving customer satisfaction at this bank. Your assistance in participating in this survey is very important for the successful completion of the research project. There is no correct or wrong answer and all that is required is your opinion, attitude and view on each subject matter in the questionnaire.

Your responses will be kept anonymous and data will be combined with others and analyzed as whole.

Please answer all questions by ticking or cycling appropriate box/block and make relevant comment where required, for any queries you may contact me through **0715 846800**

Thank you very much for your time and assistance

PART A: PERSONAL INFORMATIONS

Please fill the blanks provided under, put a tick or cycle your choice in the multiple choices questions where appropriate.

1. Gender

Male ☐

Female ☐

2. How old are you (years)?

(a) 18-30 ☐

(b) 31-40 ☐

(c) 41-50 ☐

(d) 51 and above ☐

3. Marital status? ☐

QUESTIONS	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied
1. How satisfied are you with handling of complaints by NMB's customer care?	1	2	3	4	5
2. How satisfied are you with the consistency of NMB bank tellers in providing quick service?	1	2	3	4	5

3. How satisfied are you with the security of NMB services?	1	2	3	4	5
4. How satisfied are you with the opening and closing hours by NMB bank?	1	2	3	4	5
5. How satisfied are you with NMB service charges?	1	2	3	4	5
6. How satisfied are you with the location of NMB bank?	1	2	3	4	5
7. How satisfied are you with rate of interest charged on the loans provided by NMB bank?	1	2	3	4	5

(a) Married ☐

(b) Single ☐

(c) Divorce ☐

(d) Widow ☐

(e) Widower ☐

LEVEL OF CUSTOMER SATISFACTION (RO1)

FACTORS AFFECTING CUSTOMERS' SATISFACTION (RO2)

	Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
A) Customers service Factors					
1. NMB employees offer equal treatment to all its customers.	1	2	3	4	5
2. NMB branch has sufficient number of employees	1	2	3	4	5
3. NMB employees are courtesy and friendliness of the customers	1	2	3	4	5
B) Internet banking Service					
4. NMB bank provides security of customer					

transaction data.	1	2	3	4	5
5. NMB internet server provides easy logging on bank's online portal	1	2	3	4	5
C) Commitment Factor					
6. Adherence to time limits	1	2	3	4	5
7. Promptness in correction of mistakes	1	2	3	4	5
8. Willingness to help customers	1	2	3	4	5
D) Privacy Factors					
9. NMB bank maintains privacy and confidentiality of the customers	1	2	3	4	5

Thank you for your cooperation

CHALENGES FACED BY MANAGEMENT (RO3)

1) What things do you find to be difficult in managing the process of satisfying customers? Please list them below?

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2) What can be done to improve customer service at this bank in order to keep customer satisfaction high? Please write your suggestion below.

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Thank you for your cooperation