SERVICE QUALITY DELIVERY AND ITS IMPACT ON CUSTOMER SATISFACTION IN THE BANK SERVICES IN TANZANIA:

THE CASE OF MOSHI UCHUMI COMMERCIAL BANK

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THE CASE OF MOSHI UCHUMI COMMERCIAL BANK

By

JOHN WILFRED SHANGALI

A dissertation submitted in fulfillment of the requirements for the award of the degree of Master of Business Administration [Corporate Management] of Mzumbe University

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by Mzumbe University, a research report titled; ***Service Quality Delivery and its Impact on Customer Satisfactio*n *in the Bank services in Tanzania: The Case of Moshi Uchumi commercial Bank,*** in fulfilment of the requirements for the award of the degree of Master of Business Administration [Corporate Management].(Kothari, 2004)

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I, John Shangali, declare that this Dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

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DEDICATION

This research is dedicated to my Wife: Joyce, John, my father Mr Wilfred Shangali and My mother Elizabeth Shangali who are the source of inspiration to me throughout the period of my research project.

ABBREVIATIONS AND ACRONYMS

AITF	-	Agricultural Inputs Trust Fund
BOT	-	Bank of Tanzania
COMIP	-	Community-based Micro-finance Improvement Project
ELCT-ND	-	The Evangelical Lutheran Church in Tanzania Northern Diocese.
SACCOS	-	Savings and Credit Cooperative Society
SCC	-	Swedish Cooperative Centre
SEK	-	Swedish Krona
SERVQUAL	-	Service Quality
TARP	-	Technical Assistance Research Programs
UCB	-	Uchumi Commercial Bank Limited
WOM	-	Word of mouth

ABSTRACT

Service quality and customer satisfaction are very important concepts that companies must understand in order to remain competitive in business and hence grow. It is very important for companies to know how to measure these constructs from the consumers' perspective in order to better understand their needs and hence satisfy them. Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention.

Purpose – The main purpose of this study theoretically is finding the interrelationships between service quality delivery its impact on customer satisfaction and to I identify the usefulness of approved service quality models, when applied to banking sector in Tanzania and empirically, describe how consumers perceive service quality and whether they are satisfied with services offered by these Uchumi Commercial Bank.

Design/methodology/approach – A self-completion questionnaire was developed from the SERVQUAL instrument and distributed using a Simple random sampling technique to customer of Uchumi Commercial Bank to determine their perceptions of service quality in Commercial Bank.

Findings – From the analysis carried out, it was found out that, the SERVQUAL model was a good instrument to measure Bank service quality delivery in Tanzania context. Therefore, Bank Managers can use this instrument to assess the bank service quality in Tanzania.

Research implications–Theoretically, from the findings; it implies that the SERVQUAL model is the best tool to use measure service quality in Commercial Bank. The findings suggest that Commercial Bank need to improve all the dimensions of service quality from the gap analysis carried out. Moreover because all the dimension of service quality are attributes are positively correlated with customer satisfaction, Tanzania bank managers should emphasize all the service quality dimension in maintain and improving the service quality that they provide. This study contributes to the already existing studies examining service quality in Commercial Bank using the SERVQUAL model and also provides empirical results that could guide management dealing with bank activities to take corrective actions that lead to growth in the company.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE PROBLEM

1.1 Introduction

1.2 Background of the Organization

In the early 1990's The Evangelical Lutheran Church in Tanzania – Northern Diocese (ELCT-ND) had a dream of starting a bank. The dream was not realised immediately until 22 September 2005 when the Uchumi Commercial Bank Limited (UCB) was established with headquarters in Moshi Municipality. The bank was initially owned by over 330,000 ordinary Tanzanians under ELCT-ND, and afterwards opened its doors to the public in Kilimanjaro Region. After operating for only two years, Uchumi Bank was making good profits, and this was much earlier than anticipated. Due to its fast growth, the bank now requires additional capital to expand its services. The top management has commented that "we are hereby inviting friends from all over Tanzania and other parts of the world to join hands with us and buy shares in our Uchumi Bank." On 19th September 2005 the Bank of Tanzania (BOT) authorized UCB to commence operations as a regional unit bank based in Moshi Municipality, Kilimanjaro Region. The bank was granted LicenseNo.CBA 00031. Soon thereafter, on 7th October, the BOT informed the general public that UCB could issue documents and enter into transactions as a licensed regional unit bank. UCB works closely in parallel with religious and other community leaders at the grass root level to support development of people in Kilimanjaro region as stimulus for broad-based poverty reduction and well-founded development of the people of Tanzania. The total assets base of the UCB expanded by 64 percent in 2007, following a near doubling of customer deposits and growth of 16 percent in the paid-up share capital of the bank. During the same year, the Government of the United Republic of Tanzania availed the UCB TSh. 400 million through its Agricultural Inputs Trust Fund (AITF) for on-lending to the agricultural sector.

At the end of the year the bank was informed that TSh. 100 million had been allocated to UCB from the Presidential Special Fund, again for on-lending to empower small- and medium-scale entrepreneurs under the national poverty reduction strategy. During 2007, the outstanding loan portfolio grew by 166 percent. A total of 981 loan applications were received, representing an increase of 54 percent compared to 637 applications filed in the previous year. Out of the applications received in 2007, nearly 85 percent was approved, thereby opening credit facilities amounting to TSh.3,398 million. At the end of the year the bank's gross loan portfolio had an outstanding balance of TSh 2,705 million. As reflected in tables below, the bulk of UCB's lending operations has been aimed mainly at supporting small- and medium-scale operators, especially in SACCOS and other Micro-finance institutions: In April 2007 the UCB and the Swedish Cooperative Centre (SCC) signed a grant agreement amounting to two million SEK (equivalent to about TSh. 375 million), to support the bank's Community-based Micro-finance Improvement Project (COMIP). Under this project, about 100 parishes of ELCT - ND are helped to establish SACCOS that can benefit fully from the surging strength of UCB. The bank has been working closely with other stakeholders in developing projects that will help reverse the economic decline in Kilimanjaro region. The projects cover farming in coffee, bananas, oilseeds, and livestock sub-sectors, as well as agro-forestry, agro-processing, horticulture, small-scale irrigation, rural energy, rural habitats and environment manage forestry, agro-processing, horticulture, small-scale irrigation, rural energy, rural habitats and environment management

1.3 Statement of the problem

Banking institutions across the globe have recognized the importance of customer satisfaction and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. At the same time, several banking institutions are experiencing increasing level of Commercial customer dissatisfaction. Research suggests that customer dissatisfaction is still the major reason of bank customers switch to other banks (Manrai & Manrai, 2007).

All the commercial banks in Tanzania offer the same standard facilities found anywhere in the world including, debit cards, credit cards, travelers cheques, money transfers, personal loans, car finance, etc. selected banks also offer specialized services such as VIP accounts, ladies accounts, minor and student's accounts, plus e-banking platforms such as telephone and PC banking which offer 24/7 access. Particularly, the expansion in private banking business, along with customized services, has created a cut-throat competition in this sector (Khalid & Irshad, 2010). This dissatisfaction could be because of a variety of reasons. Excellent service quality is not an optional competitive strategy which may, or may not, be adopted to differentiate one bank from another: today it is essential to corporate profitability and survival. The link between service quality and customer satisfaction has been submitted to intense scrutiny by leading service quality researchers (Bitner & Hubbert, 1994; Bolton & Drew, 1991) as well as the links between quality, customer satisfaction, customer retention and profitability.(Storbacka, Strandvik, & Grönroos,1994) The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful Targeting of "quality" customers and the retention of those customers.

Customer satisfaction is the real diamond and competitor advantage over other companies. Today businesses compete for customers and customer satisfaction is becoming a key performance indicator and an essential element of business strategy. Customer expectations are key drive behind customer satisfaction. Customer Satisfaction is an indicator of customer purchase intensions and brand satisfaction. Companies are trying to have high customer satisfaction and trying to keep their current customers rather than spending additional resources to attract potential new customers. Therefore the producers and marketers try to keep their customer satisfied so that they may become loyal and in the way companies can get maximum share in the market. The purpose of the study was to find the interrelationship between service quality and Customer Satisfaction, in banking sector of Tanzania. The study was an attempt to explore the interrelationship between service quality, customer satisfaction and customer in Tanzania. This would be a real contribution for the banks because in this way, banks will seek guidance to improve their service quality in order to retain their customers and seek competitive advantage by getting more loyal customers.

Appannan, S., Doraisamy, B., &Hui, T. X. (2013).)found that many banks are lagging in various areas, including the time taken in answering customer calls, waiting time, the way employees greeted customers, whether the customers received correct and sufficient information and follow-ups from banks. Appannan, S., Doraisamy, B., &Hui, T. X. (2013).revealed shocking failures by banks in a study showing that half of customers were unhappy with how complaints are dealt with. Bad service and bad advice which can lead to serious financial loss ware fuelling an average of 7,143 complaints a day. Data from Technical Assistance Research Programs (TARP) found that (63%) of customers who do take the time to complain are not completely satisfied with the bank's response to their problems. Handling problems efficiently, paying attention to questions or concerns, and resolving problems on the phone are clearly of key importance to Commercial bank customers. Hence, customer service cannot be an optional extra. It must be negotiable. It must be mandatory and managed.

According to excellent customer service can improve the bank's ability to lure affluent prospects, elevate the bank's profitability, lower bank operation costs, and/or create greater customer satisfaction. A bank therefore can influence a great Competitive benefit when it optimizes customer service.

1.4 Research objectives

The General objective of this study was to “identify factors that influence customer perception towards services quality delivery of Commercial Banks.
The study covered the following specific objectives:

i. Find out the relationship among service quality delivery, and customer satisfaction in banking industry of Tanzania.

ii. Identify the usefulness of approved service quality models, when applied to banking sector in Tanzania.

1.4.1 Research Questions

This study would answer the following questions:

i. What is the specific service quality attributes that influence customer satisfaction in bank sector in Tanzania?
ii. How proposed models contribute in banking sector in Tanzania?

1.4.2 Purpose and scope of the study

Service quality delivery and its impact on customer satisfaction have been studied by some researchers mostly in the developed countries of the world and less in developing world. Given the differences and peculiarities of such environmental factors as technological development and usage in services, socio-cultural behavior, economic and competition, the present study sought to evaluate the level of customer satisfaction in banks service delivery within the Tanzania. The study therefore, focused on the effect of customer-perceived service quality on Tanzania bankers' satisfaction a representative of the developing world. To this effect, the respondents for the study were drawn from the customers of banks within Kilimanjaro region to represent the whole banking sector in Tanzania.

1.4.3 Limitations

The current study experienced some limitations. The limitations were as follows:

The sample size of the current study was intended to be 204 but only 140 responded. This sample size met the minimum requirement. There might be other might influence customer decision making process in the banking industry, such as price, convenience, interest rates etc that were not tested.

This study covered the customers of commercial banks in Tanzania. Specialized banks such as Foreign banks that have a role in the banking industry in Tanzania were excluded from this study.

1.5 Structure of the Study

The study consists of six chapters. The 1st chapter includes the Introduction, background of the study, research problems and aim of the research. In addition to this, it includes definitions of customer satisfaction and service quality. The limitation of the study is provided as well. The 2nd Chapter presents the Literature Framework. 3rd Chapter describes the methodology and data collection techniques used in the study. Chapter 4 discusses the empirical findings. It includes the detailed information about personnel interviews conducted to answer the research problems of the study. The 5th Chapter explains the analysis of the overall work by discussing and linking with the theories used for this study and conclusion of the overall work and discuses the results followed by the contribution of the study, suggestions for managers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Service Quality

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Lathari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi, Haughton, & Topi, 2007) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions.

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. (Athanassopoulos, Gounaris, & Stathakopoulos, 2001). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature. 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 (Duncan & Elliott, 2004). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer satisfaction, and the success of marketing strategy (Cronin & Taylor, 1992). Organizations operating within the service sector consider service quality to be a strategic component of their marketing .(Spathis, 2004).

Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter, Ostrom, Roundtree, & Bitner, 2000)

Bank is a direct customer oriented services industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo, Duff, & Hair, 2008). A bank can differentiate itself from competitors by providing high quality customer service.(Duncan & Elliott, 2004)Efficacy of customer service is related with progressive operation. In the competitive banking industry, customer satisfaction is considered as the essence of success. Organizations operating in service industries should consider service quality a key strategic issue for the business success (Spathis, 2004).

Those service providers who establish a high level of service quality retain a high level of customer satisfaction; they also obtained a sustainable competitive advantage. Research indicates that companies with an excellent customer service record reported a 72% increase in profit per employee, compared to similar organizations that have demonstrated poor customer service; it is also five times costlier to attract new customers than to retain existing customers(Duncan & Elliott, 2004, 2004). In some earlier studies, service quality has been referred as the extent to which a service meets customer's needs or expectations (Lewis & Mitchel, 1990). Bank should be known about the expectation and perception of the customer. Measuring customer's expectation is the key to being able to serve the customer satisfactorily. On the other hand, with better understanding of customer's perceptions, bank can determine the actions required to meet the customer's needs. In this way they can easily satisfied the customer which is directly impact on the overall performance of the bank.

2.1.1 Importance of Service Quality

Service quality assumes a place of outstanding significance in almost all categories of service generating organizations. The pace and race of economic transformation considerably depend on the contributions and domination of services sectors to the national economy. The task of image building and image projection rest on quality be it an individual; be it an institution; be it a goods manufacturing organization; be it a service generating organization; be it a profit making organization or nonprofit making organization. Jha, (2011) identify the following facts that justify the importance of quality in the service sector.

i) *Quality for Image Projection:* The organization making sincere efforts to innovate and define quality get an opportunity for image projection. Both facets – image building and image projection are found correlated.

ii) *Quality makes ways for cost effectiveness:* Of late, we find an age of techno-driven services and therefore the service generating organizations making use of new generation of technology are found successful in creating and expanding the markets. Since we find a significant increase in the number of customers, it is natural that cost economy is maintained.

iii) *Quality benefits the employees*: Quality services generated by an organization create a sense of confidence among people serving the organization. They are duly motivated and therefore work with a sense of confidence.

iv) *Minimizing the risk factors:* The service quality also minimizes the risk factors and the users of services develop a sense of confidence. The word of mouth promotion helps transmission of information regarding the quality element and this makes ways for reliability and dependability which contracts avenues for risk.

v) *Quality helps creation of value system:* The service generating organization defining quality in the face of multi-faceted developments in the socio-economic system find it easier to switch on the process of value engineering.

On top of the above points, Kumar &Meenakshi, (2006)demonstrated that, Companies that are rated higher on service quality perform better in terms of market share growth. But high standards of service quality remain elusive. There is a big gap between the expectations of the customers and the level of the service they get.

It is important to understand why this gap persists inspite of the dominance of the service economy for some time now. This gap suggests that inspite of the best companies and people involved in the provision of services, the quality of services are where as good as those of products.

2.1.2 Determinants of Service Quality

According to Shekler, (1997)there are criteria usually used by customers of a service firm as determinants of service quality. Shekler (ibid) points out the following as determinants:

i) The service is easily available at convenient times and places without waiting beyond a reasonable time.
ii) The marketer describes the service offered preferably in the customer's language. This will assure effective communication and promotion.
iii) The management through internal marketing creates a favorable environment of voluntary employee support and incentives for good performance of service to all deserving employees. The frontline employees interacting with customers must be trained. They must have the requisite skill and knowledge. They must be responsive, friendly, considerate, and respectful in their dealings with customers. Courtesy pays a rich dividend.
iv) The employees of a service firm should assure consistency and accuracy in their jobs. They must have the customer's best interest at heart. The firm and its employees must build up credibility and goodwill so that customers can act as talking advertisement among their friends and relatives.

v) If the employee's morale is high, understanding and knowing or even anticipating customer needs and desires will be easier and customer expectations can be fulfilled.

Shekler, (1997).concluded that well managed service firms firmly believe in perfect positive correlation between employees' relations and customer relations. Only satisfied and delighted employees can guarantee satisfaction and delight to the customers. Hence, management must regularly audit employee's satisfaction with their jobs. Job satisfaction is the master key of customer satisfaction.

2.2 SERVQUAL (Service Quality)

SERVQUAL is a model with conceptual assumptions and dimensions. These are propounded by a various researchers and writers some of whom are cited in this report.

2.2.1 The SERVQUAL assumptions

(Guo, Duff, & Hair, 2008b)looked at service as a set of economic activities that provide time, location form and psychological benefits. Beer (2003) defined service as a set of characteristics and overall properties of the service which aim to satisfy the clients and meet their needs.

Mohamed &Shareen, (2011) emphasized that banks have to care about the quality of their services since this quality is considered the essence or core of strategic competition. Walfred, (2000) defined service as a set of characteristics that meet the clients' needs, strengthen the links between the organization and them, and enhance the clients' value as well.

(Huseyin, (2005)believes that good knowledge of the characteristics and advantages of service quality on the part of banks do contribute for their success and their persistence in the international banking competitive environment. From these definitions we conclude that the quality of banking service is an integrative assessment of the services offered to the external client, for clients are considered to be independent individuals with various requirements on the basis of which services are provided, based on certain specification. This requires that banks have to carefully select creative employees with high qualifications and capabilities.

Parasurama Zeltham, I & Berry that there exist ten criteria and dimensions through which service quality can be assessed:

- Reliability: the ability of an organization to accurately achieve its services in the proper time and according to the promises it has made to its clients.
- Responsiveness: the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible.
- Competence: having adequate skills and knowledge that enable the employees to perform their jobs properly.
- Accessibility: providing easy access to a service in terms of location and through services provided via the telephone, the internet, or any other means of communication.
- Courtesy: treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.
- Communication: this occurs through gentlemanly listening to the client conveying information to them clearly and facilitating external communication with workers.
- Credibility: this can be achieved through full trust and confidence in the service provider as well as his honesty and straight forwardness.
- Security: this depends on whether the service is free from risks and hazards, defects or doubts so that it provides bodily safety, financial security as well as privacy.
- Understanding/ knowing the customer: this can be made achievable through the ability to pinpoint the customers' needs as well as understanding their individual problems.

- Tangibility: this includes physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities.

The above-mentioned ten dimensions have been integrated into only five ones. Researchers agreed on the fact that these dimensions are appropriate ones which help reveal the customers' expectations and perception. This new model is called 'Servqual'. This compound word consists of the two words 'Service' and 'Quality', these five dimensions include:

1. Tangibility: this includes physical facilities, equipment, and the physical appearance of on employee.
2. Reliability: this refers to the ability to provide the exact required service according to given specifications and conditions.
3. Responsiveness: the inclination and willingness of the employees to serve customers quickly and properly.
4. Assurance: feelings of trust and confidence in dealing with the organization. This reflects the workers' knowledge and experience and their ability to build self confidence as well as confidence in the customers themselves.
5. Empathy: understanding the customers' personal needs, taking care of them individually and showing them all sorts of sympathy and affection, looking at them as close friends and distinguished clients.

2.2.2 SERVQUAL Dimensions

To measure customer satisfaction with various aspects of service quality, there is an instrument called SERVQUAL. It is based on the premise that customers can evaluate a firm’s service quality by comparing their perceptions of its service with their own expectations. SERVQUAL is seen as a generic measurement tool that can be applied across a broad spectrum of service industries. In its basic form, the scale contains 21 perception items and a series of expectation items, reflecting the five dimensions of service quality.(Lovelock & Wirtz, 2011)These dimensions represent how consumers organize information about service quality in their minds. On the basis of exploratory and quantitative research, these five dimensions were found relevant for banking, insurance, hospital services, hospitality, telephone services, automobile repair service and others. The dimensions are also applicable to the bank and business services, and logic suggests they would be relevant for internal services as well. (Zeithaml & Bitner, 2003). Further applications of the dimensions are provided as follows:

Tangibility

Tangibility relates to the physical aspects or evidence of a service. Physical aspects of Commercial 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, 2011). The higher customers appreciate on the physical aspects, the higher the overall evaluation of Commercial service quality is. (Bellini, 2005). 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.

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

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, 2003) The higher customers appreciate on reliability, the higher the overall evaluation of service quality is. (Ndubisi, 2006)

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, (2010, 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.

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. Lai, Hutchinson, Li, & Bai, (2007) found that confidence is one of the important factors for assurance.

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 Commercial banking. Mengi, (2010) 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 & Meenakshi, 2006).

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) The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter.

2.3 Soft and Hard quality Measures

Soft measures cannot easily be observed. It is found based on an interaction with customers, employees and others. Soft standards provide direction, guidance, and feedback to employees on ways to achieve customer satisfaction.

On the other hand by contrast Hard Measures the focus is on characteristics and activities that can be counted, timed and measured through audit.

Such measures might include number of telephone calls that dropped while the customers were on hold, how many minutes customers has to wait in line at a particular stage in the service delivery, and the number of bags lots (Jha, 2011; Lovelock & Wirtz, 2011).

2.4 The Gaps Model of Service Quality

The major objective of 'SERVQUAL' model is to clarify the series of gap which affect the beneficiary's perception of service quality (Jha, 2011) states that good organizations are those who listen to both customers and employees. Identifying right conditions and applying appropriate measures help an organization in getting the desired success.

Professional excellence contracts avenues for service quality gap as at both the stages the concerned parties such as service providers and service users receive the difficulties of each other in a right way. (Lovelock & Wirtz, 2011) presents the service quality gaps as follows:

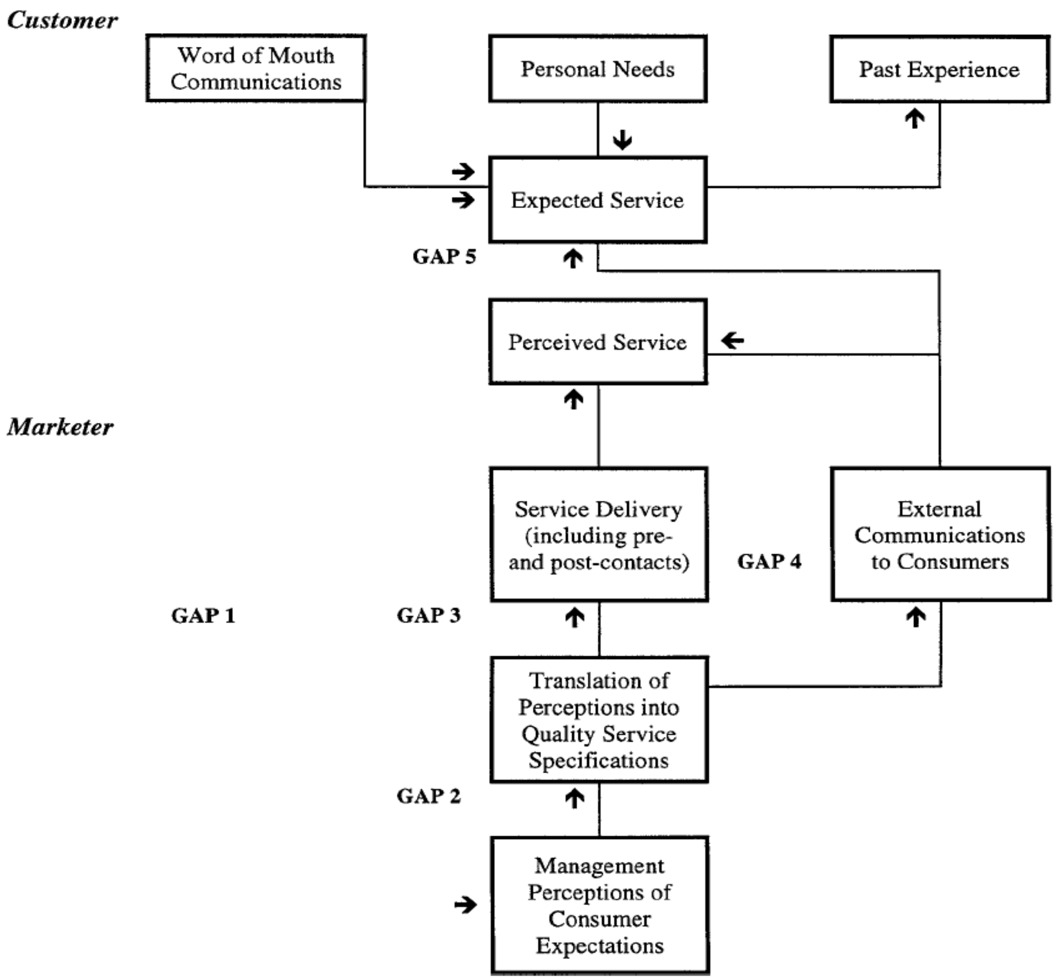
a) *The knowledge gap:* The difference between what senior management believes customers expect and customer's actual needs and expectations. If the service provider and the service user do not believe the same way, we find the knowledge gap.

b) *The policy gap:* The difference between management understands of customers' expectations and the quality standards established for service delivery. At this point the management set standards below customers' expectations which may be due to cost and feasibility considerations.

c) *The delivery Gap:* The difference between specified service delivery standards and the delivery teams' and service operations actual performance on these standards.
d) *The communication gap:* The difference between what the company communicates and what is actually delivers to its customers.
e) *The perception Gap:* The difference between what is in fact delivered to the customer and what customers perceive they have received.
f) *The service quality gap:* The difference between what customers expect to receive and their perceptions of the service that actually is delivered.

2.4.1 Service Quality Models

Figure 2.1: GAP Analysis of Services Quality



Source:(Curry, 1999; Luk& Layton, 2002; Parasuraman, Zeithaml, & Berry, 1985a)

2.5 Services Quality in Banking Sector

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer's satisfaction and to play a major role in the growing and diversifying financial sector.(Guo et al., 2008a) There has been a remarkable change in the way of banking in the last few years.

Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customer's aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder. Banking industry is a demand driven industry, which constitute an important part of the service industry.(Newman & Cowling, 1996) Banks have to redefine their corporate image to that emphasizes service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate. (Newman, 2001)

2.6 Customer Satisfaction in Banking Sector:

In line with Tsoukatos& Rand, (2006) customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to(Magesh, 2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Customers compare their expectations about a specific product or services and its actual benefits. As stated by, (Kotler, P., & Armstrong, 2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level. Along with(Parasuraman, Zeithaml, & Berry, 1985), satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. (Razak, 2006) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider.

It is observed that organization's concentration on customer expectations resulted into greater satisfaction. If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base.(Karatepe, Yavas, & Babakus, 2005) Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness (Berry, 2002) In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the banks set their strategies towards increasing satisfaction and satisfaction of customers through the quality of service. Devlin, (2001)pointed out that "customers perceive very little difference in the services offered by Commercial banks and any new offering is quickly matched by competitors. Lonial, Menezes, Tarim, Tatoglu, &Zaim, (2010).find out that tangibility, reliability and empathy are important factor for customer satisfaction, whereas responsiveness and assurance are important factor, found by Kumar & Meenakshi, 2006; Mengi, (2010)found that assurance, empathy and tangibles are the important factor, and on the other hand, Baumann, Burton, Elliott, &Kehr, (2007) found that tangibles are not related to customer satisfaction.

Kotler, P., & Armstrong, (2010) defended the customer satisfaction as the customer's perception that compares their pre-purchase expectations with post purchase perception. Oliver, (1980)defines satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. (Oliver, 1980)point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive.

Some researchers think customer satisfaction can be measured. For example: Berry, Seiders, &Grewal, , (2002)suggested using overall measurement to record customers' response to different attributes of products and services. Kuo, Wu, & Deng, (2009) recognized seven factors that influence customer satisfaction: service content, price, convenience, corporate image, equipment, staff and procedure. Tsai, Yen, Huang, & Huang, (2007) also defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products, and closeness to expectation.

The following criteria are laid down by (Liu, 2008)for measuring the satisfaction level of customers regarding purchase and subsequent consumption of goods or services:

- Satisfaction: The perception developed by the customers that the goods or services are acceptable or tolerable.
- Content: The features of goods or services and the underlying benefits gives customer a positive consumption experience.
- Relived: The alleviation of the negative state of customers' mind of by the goods or services provided.
- Novelty: The goods or services bring freshness and excitement in customers.
- Surprise: The amazement and unexpected pleasure brought to people by goods or services consumed.

Additionally, studying the different phases of the customer relationship life-cycle highlights important issues and helps to depict the level of customer satisfaction at each phase. It also helps to emphasize on specific customer needs and expectations at each stage of the relationship.(Grönroos, 1997)Customer satisfaction signifies the relationship between customer and service provider. It brings about customer satisfaction and incites a long-term relationship between both sides.

Components and Requirements of Customer Satisfaction

The concept of customer satisfaction is composed of several components from distinct sources(McColl-Kennedy & Schneider, 2000). Customer satisfaction begins with

clear, operational definitions from both the customer and the organization.
Understanding the motivations, expectations, and desires of both gives a foundation in how to best serve the customer. It may even provide information on making improvements in the nature of business. This is the heart of research into customer satisfaction.("Naylor, M., & Greco, S., 2002).The importance of clearly defining the key concepts and elements of satisfaction provide a template by which information can be gathered about what is, and what is not, working. This includes both the hard measures – those that are more tangible and observable (i.e., number of complaints, average wait time, product returns, etc) and the soft measures – those less tangible aspects (i.e., friendliness, helpfulness, politeness, etc).(Hayes, 1998) These definitions often start with the most vague and general, and become more to the highly specified and precise examples. The bottom line is that in order to know about customer satisfaction, one needs to know what to look for (Lewis & Mitchel, 1990). The organization needs to seek this information from both within and without.

The organizational requirements of customer satisfaction are the internally based processes, components, standards, and criteria that a business strives to achieve. These are the performance goals and benchmarks set forth by the business, for the business. These are the elements of corporate culture.(Hayes, 1998)

Meeting or exceeding these is often an indicator of success or failure. At times, these indigenous components of customer satisfaction may overlap with those set forth by the customer; at others they may be divergent.

Those processes, components, and standards that are deemed important by the customer are another important source of information. In order for a business to meet the needs and desires of the customer, the business must know the needs and desires of the customer. This information is vital not only for successful business, but also for understanding and improving customer satisfaction. This important component helps to set the standards and components of satisfaction from the perspective of the consumer.(Hayes, 1998)

Satisfaction dimensions are developed from the previously identified requirements. These are the specific components that make up the requirements. For example, if a customer and organizational requirement is for customer service, the satisfaction dimensions may include interactions, timeliness, and responsiveness. These are the clusters that define the requirements. (Hayes, 1998)

Critical incidents are the specific operations that relate to the satisfaction dimensions. These are often the concrete and measurable behaviors and actions of employees, groups, or organization. This may also include policies, procedures, and protocols in place within an organization. (Hayes, 1998)

2.7 Relationship between Service Quality and Customer Satisfaction

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction and service quality, Oliver, (1980) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service.(Fereshtehnejad et al., 2015)Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml&Bitner, 2003). As said by Wilson, A., Zeithaml, V., Binter, M.&Gremler, D., (2008)service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors.

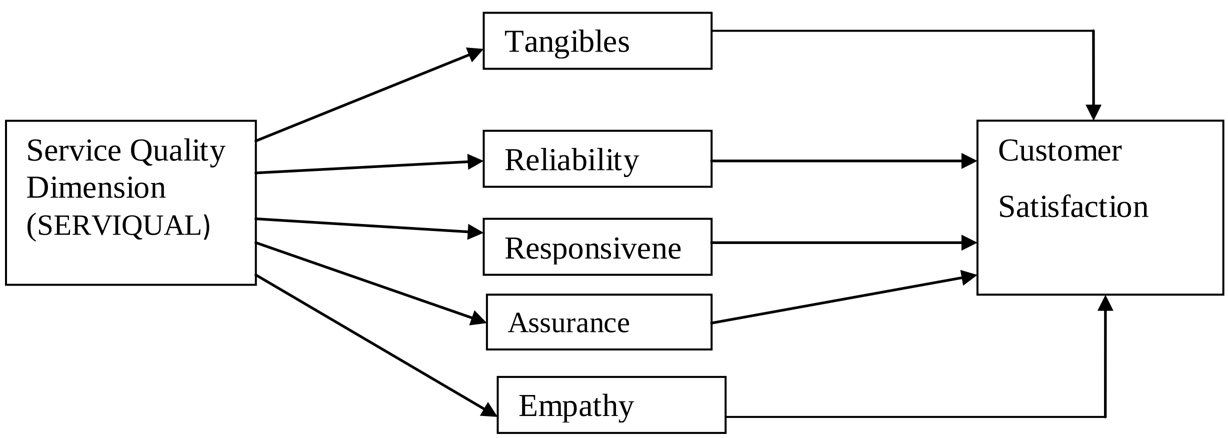
The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers Demographic characteristics should be considered by the bank managers to understand.

Jamal & Naser, (2002) stated that service quality is the antecedent of customer satisfaction. However, they found that there is no important relationship between customer satisfaction and tangible aspects of service environment.

2.8 Conceptual Framework

Based on narrow down scope of literature review above, the relationship between service quality variables and customer satisfaction can be shown in figure below.

Figure 2.2: Conceptual Framework



Source: The SERVIQUAL Conceptual Framework,(Parasuraman et al., 1985)

Research Hypotheses

The following hypotheses were tested:

HO1 There is no significant relationship between tangibility and customer satisfaction in Commercial banking.

HO2 There is is no significant relationship between reliability and customer satisfaction in Commercial banking.

HO3 Responsiveness has no significant effect on customer satisfaction in

Commercial banking

HO4 There is no significant relationship between assurance and customer satisfaction in Commercial banking

HO5 Empathy has no significant effect on customer relationship in Commercial banking.

2.9 Operationalisation of the Study Variables.

The five constructs identified in this research that included perceived service quality, reliability, tangibility, assurance, responsiveness and empathy were measured as indicated below:

The independent variables were the dimensions of perceived service quality, namely, reliability, tangibility, assurance, responsiveness and empathy. Service quality was the perceived overall service excellence of a commercial bank and was measured in terms of five service quality determinants adopted from Berry et al (1994).They were reliability, responsiveness, assurance, tangibility and empathy. Thus, the service quality measurement adopted the SERVQUAL model developed by Parasuramanet al (1988). The dependent variable was customer satisfaction and was measured in terms of outcome behaviors. The outcome behaviors of satisfied customer considered in this study were, Say positive things about the bank to others, Have strong preference on the bank, Encourage friends and relative to do business with bank (word-of-mouth), and Continue intention of doing business with Bank

CHAPTER THREE

RESEARCH METHODOLOGY

3. 1 Introduction

This chapter presents the plan and procedures used in the study. It demonstrated where, how and by what methods the research was carried out.

According to Kombo& Tromp (2006), the research methodology deals with the description of the methods applied in carrying out the research. Therefore, this chapter provided the research design which was adopted and the reason for its adoption, the research site, population which is the universe from which a group of individuals were sampled, objects or items from which samples were taken for measurement.

The chapter further dwelled on sampling technique, the data collection method, procedure and instrument, which were employed in the study. The discussion then followed on how data were analysed and finally, it stipulated how the researcher managed all aspects of reliability and validity on the research.

3.2 Research Design

A research design provides a framework for the collection and analysis of data. A choice of research design reflects decisions about the priority being given to the following; expressing causal connections between variables, generalizing to larger groups of individuals than those actually forming part of the investigation, understanding behavior and meaning of that behavior in its specific social context and having a temporal (i.e. over time) appreciation of social phenomena and their interconnections (Bryman& Bell, 2007).

There are five different types of research designs: experimental design; cross-sectional or social survey design; longitudinal design; case study design; and comparative design (Bryman& Bell, 2007).

Cross-sectional design which we are using for our study, entails the collection of data on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association (Bryman & Bell, 2007).

This design considers more than one case because it is interested in the association between cases, at a single point in time meaning data are collected on variables simultaneously. Data must be quantifiable in order to establish variation between cases. This design also allows examination of relationship between variables and no causal inference can be established because data is collected simultaneously and the researcher cannot manipulate any variables (Bryman& Bell, 2007).

3.3 Population and Sampling Design

3.3.1 Population

Population refers to the entire group of people, events, or objects of interest that a researcher wishes to investigate. It is a complete set of elements that possess some common characteristic defined by the sampling criteria established by the researcher. It forms the basis from which the sample or subjects will be drawn (Bryman & Bell 2007).

For this particular study the population was drawn from Uchumi Commercial Bank customers.

3.4 Sample design

The purpose of this study was to assess the impact of service quality in the performance of banking, utilizing SERVQUAL model by scaling its variable elements as foundation in order to achieve this aim. The process involved allowing individuals to rank a given set of adapted service quality dimensions to how important each was in satisfying customers so that they can be loyal to the service firm.

The questionnaires ware distributed randomly to all bank customer respondents

3.4.1 Sampling Technique

Sample techniques To obtain an accurate result in this study, the researcher used probability sampling in random manner and pick respondents for answering the questionnaires that were designed. This technique was used because, in random probability, each customer has the equal chance of being selected from the huge customer of the case company. Furthermore, this process helps to avoid arbitrary or biased selection of sample elements. (Malhotra ,2010)

3.4.2 Sample Size

The sample size refers to a subset of the larger population. Knowing the sample size is important for collecting accurate results. Bryman& Bell (2011) suggested that the sample size must be carefully selected to be a representative of the population. This particular study used a sample size of 140. This is supported by Walliman, (2011) that when the population (N) is beyond 5000, the population size is almost irrelevant meaning a researcher will getting exact response from many respondents.
Therefore from the target population of 80,000 the sample size selection is provided below

$$n = \frac{N}{1 + Ne^2}$$

=80,000 / (1 + 80,000 * 0.1^2)**=99.8751560549~100**

Where: **n** = Sample size **N** = Population size **e** = (10% at 95% confidence level)

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3.5 Data Collection Method

Data were collected using a questionnaire. It was chosen because it was easy to administer in the on-the-spot- collection of information approach used in this study. The technique also facilitated confidentiality of customers' personal information because they did not have to disclose their identity when filling out the questionnaire. The questionnaires were administered during working hours from 9a.m to 3 p.m., Monday through Friday. This is the period when the banks have peak traffic and hence it was easier to get customers to respond to the questionnaires. It is also the time when banks experience long queues and the respondents are likely to give more "true" and "rational" assessment of the quality of service received, level satisfaction and value for their money.

Data was collected using questionnaires that were administered by research assistants outside the entrance to the banks. The research assistants waited for the respondents to fill out the questionnaires. The participants were assured that any data collected was to be kept confidential and was to be used strictly for academic purposes only.

3.5.1 Questionnaire

Questionnaires were administered to the customers of Uchumi Commercial Bank in order to extract information that answered the research questions. This method was popular particularly in case of big inquiries (Kothari, 2004). This choice also took into consideration that questionnaires provided the convenience to official officers. Under this method, the researcher used both open ended and closed ended questions which were clear and unambiguous. Closed ended questions gave respondents a room to tick once the most appropriate answer for each question, while open ended gave respondents a room to give their own opinions.

3.5.2 Interviews

The researcher used this technique because it enabled him to obtain detailed information due to its flexibility, better response rate as well as the control over the interview environment. It involved direct consultation with the concerned respondents and the researcher was flexible enough to maximize data collection.

3.6 Data Analysis

Data collected was prepared by cleaning, coding and entering them in computer using the SPSS program. Descriptive statistical procedures including cross tabulations and frequency distributions was used to provide the overall customer perception on bank service quality. Pearson's Correlation analysis was used to establish the degree of relationships between variables. Pearson Correlation was preferred because it assesses the strength of linear relationship between two variables used to test for the relationship between two variables.

Multiple regression analysis was used to determine the contribution of each of the independent variables to dependent variable. Regression analysis describes the way in which a dependent variable is affected by a change in the value of one or more independent variable. This technique was preferred because it tests the relative contribution of the independent variables on customer satisfaction was achieved through multiple regression.

The total number of items that measured the criterion (dependent) variable were and were operationalized using a five – point likert scale, ranging from (1= strongly agree) to (5 = strongly disagree). The scale was useful in measuring the strength of the respondents' responses on these items. The items were constructed based on the literature on service quality and customer satisfaction.

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents key findings of this study according to the three research questions shown in Chapter One. It includes data presentation, analysis and discussion of the findings. Quantitative data were analyzed using SPSS and Microsoft Excel Spread sheet program. In most cases, descriptive statistics were derived and shown in frequencies and percentages. Data analysis is the process of moving from raw data to evidence-based interpretations which is the foundation for published reports (Creswell, 1998:201).

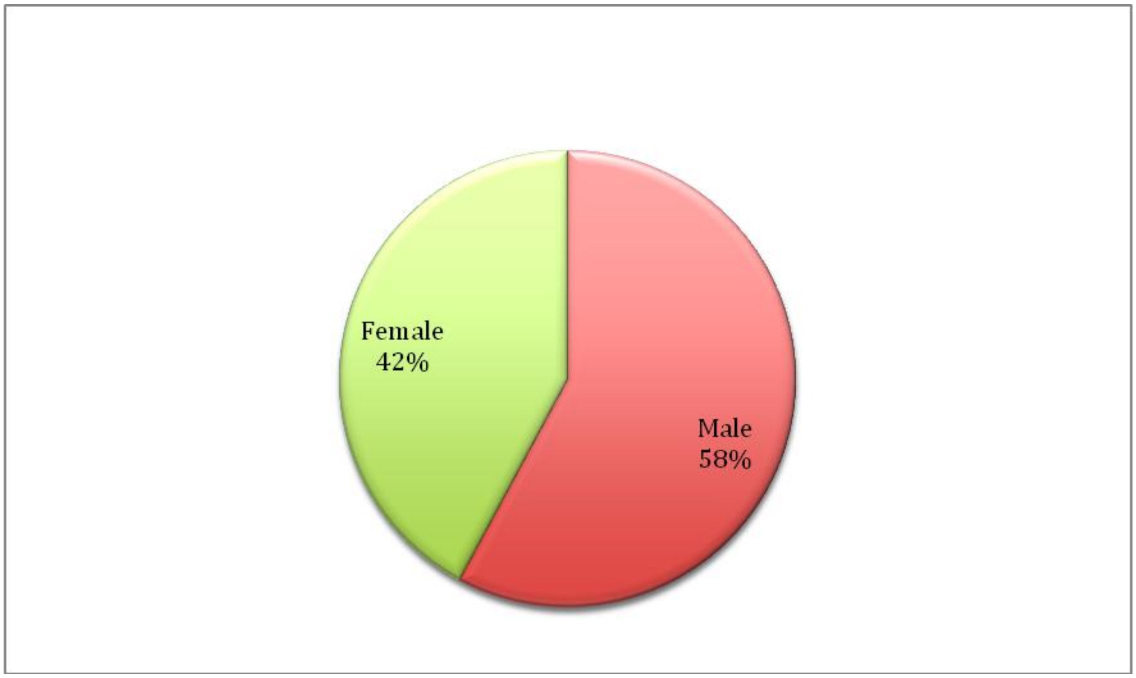
Since numbers from quantitative information by themselves do not give adequate meaning, qualitative information which is relevant to the issue being studied was used to supplement them. There are different ways of analyzing qualitative data as argued by different authors such as (Gill & Johnson, 2002). Direct quotations were used to show what respondents said about the issue being analyzed, thereby supporting the statistical information.

4.2 General Characteristics of the Respondents

4.2.1 Respondents Gender

A total of 140 respondents (69%) were interviewed using structured questionnaires. Majority of the respondents were males 81 (58%) and the remaining 59 (42%) were females. Figure below presents the result. This shows that the researcher was not biased on the gender when data was collected, even though the big more males were responding than female.

Figure. 4.1: Respondents Gender

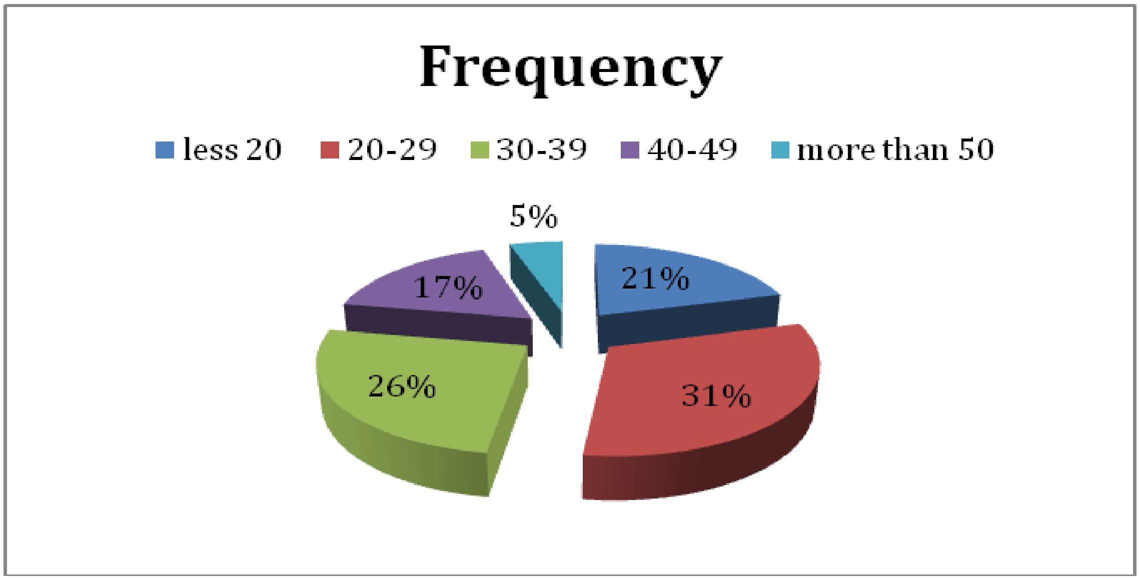


Source: Field Survey 2015

4.2.3 Age Distribution

The data depicted that the majority of the respondents were aged between 20 to 29 years comprising of 60 (43%) of the respondents.38 (27%) of the respondents were aged between 40 to 49 years, 13(9%) of the respondents were aged less than 20, while 6% were above 50 years. The youth were the majority indicating that most youth use banking services.

Figure. 4.2 Age Distribution

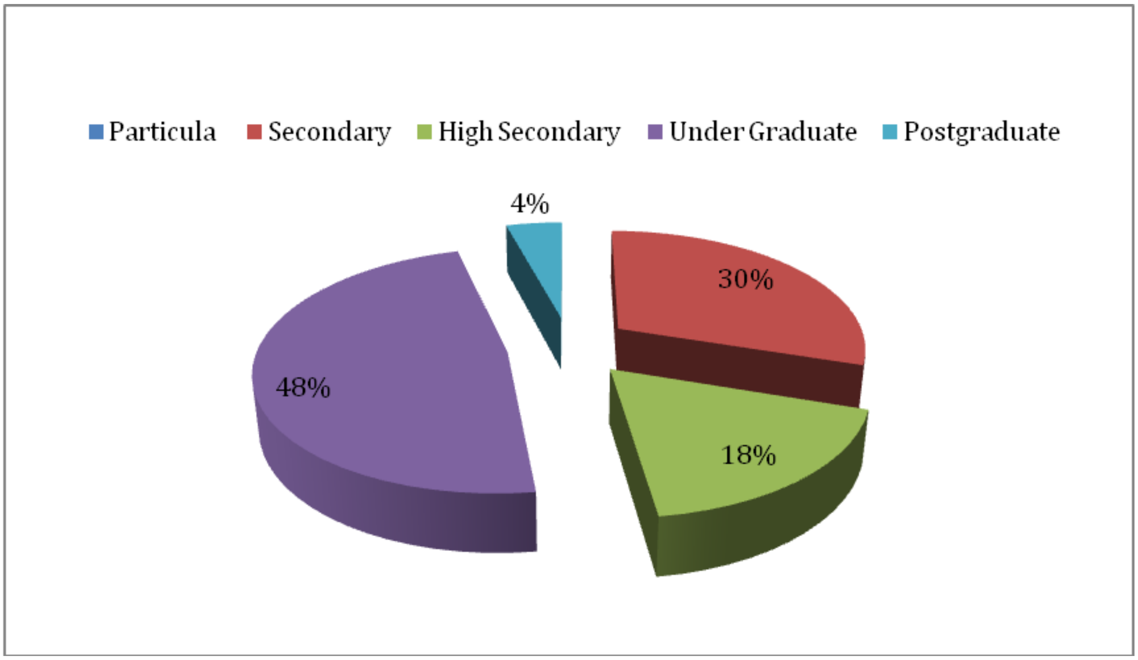


Source: Field Survey 2015

4.2.4 Level of education Distribution

The study revealed that 16 (11%) of the respondents had a Secondary school certificate, 18 (13%) had a Diploma certificate, 86 (61%) had attained a university while 20 (14%) had Postgraduate degree or masters. This results implies that majority of the respondents had at least a university degree and therefore understood the importance of the study in regards to service quality on customer satisfaction

Figure.4.3 Level of education Distribution

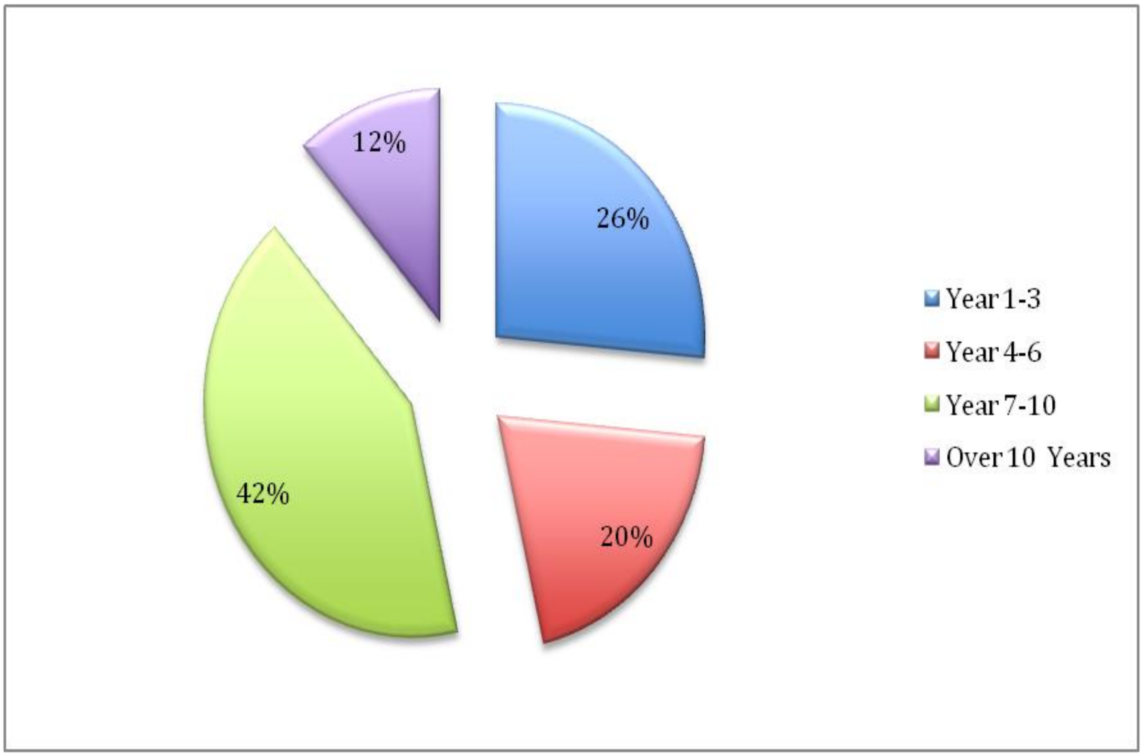


Source: Field Survey 2015

4.2.5 Duration banked with U.C.B

The study revealed that respondents have been U.C.B customers for a period of 1-3years 26% and for a period of 4 to 6 years 20% and 42% of the respondents between 7 to 10 years. 11% have been their customers for over 15 years. This implies that majority of the respondents have interacted with U.C.B fair enough to understand quality service of U.C.B.

Figure 4.4: Duration banked with U.C.B



Source: Field Survey 2015

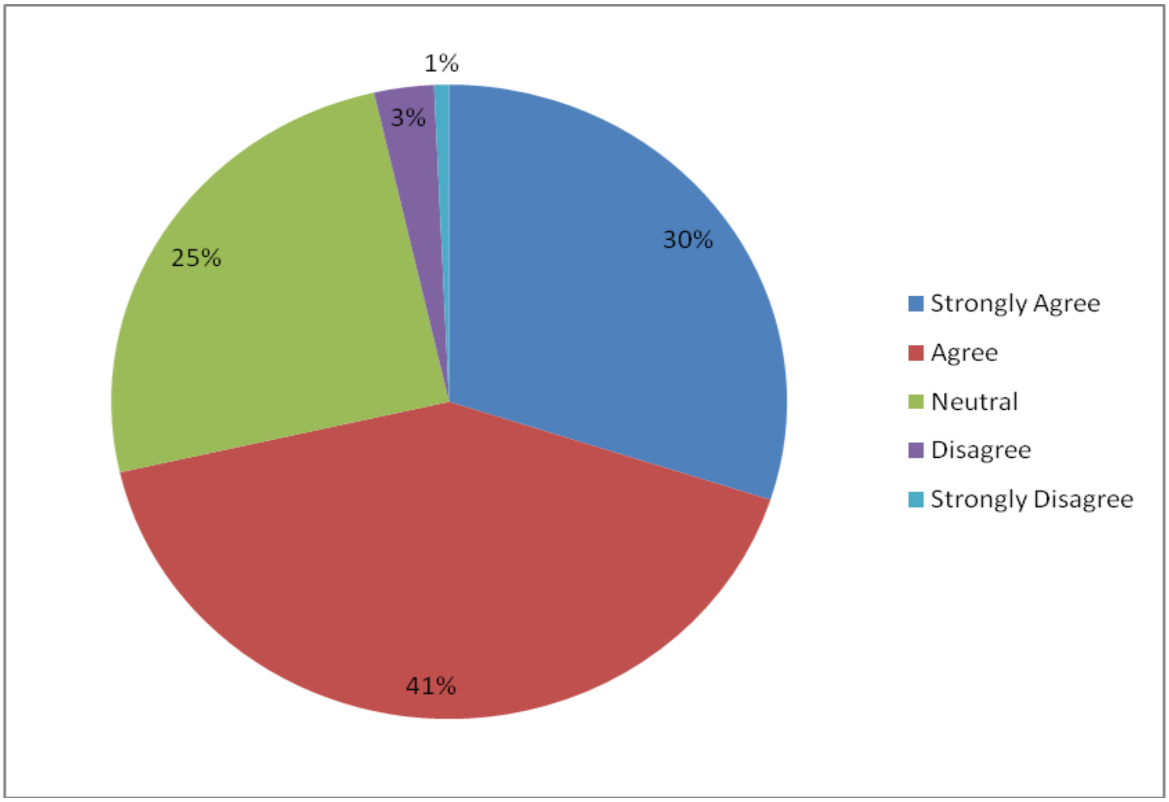
4.2.4 Results of the evaluation of the quality of service delivered byUchumi Commercial Bank (UCB).

4.2.5 The respondents were impressed by the appearance of the UCB premises.

It was found that, the premises of the UCB and its visual appearance was appealing to the public, these were the findings from questionnaires; Strongly Agree 40 (30%), Agree 58(41%),neutral were35 (25%) of the total respondents who rated premises of the UCB and it is visual appearance. Both Disagree and Strong Disagree recorded 3 % and 1% respectively. Cumulatively, 76%Agree that the premises of the UCB and it is visually appealing is good while 24% feel that more improvements should be done for the premises of the UCB to visually appeal to be rated as good.

This is response to the remarks "I am satisfied with the premises of the bank and it is visually appealing"

Figure 4.5 Satisfied with the premises of the bank and it is visually appealing



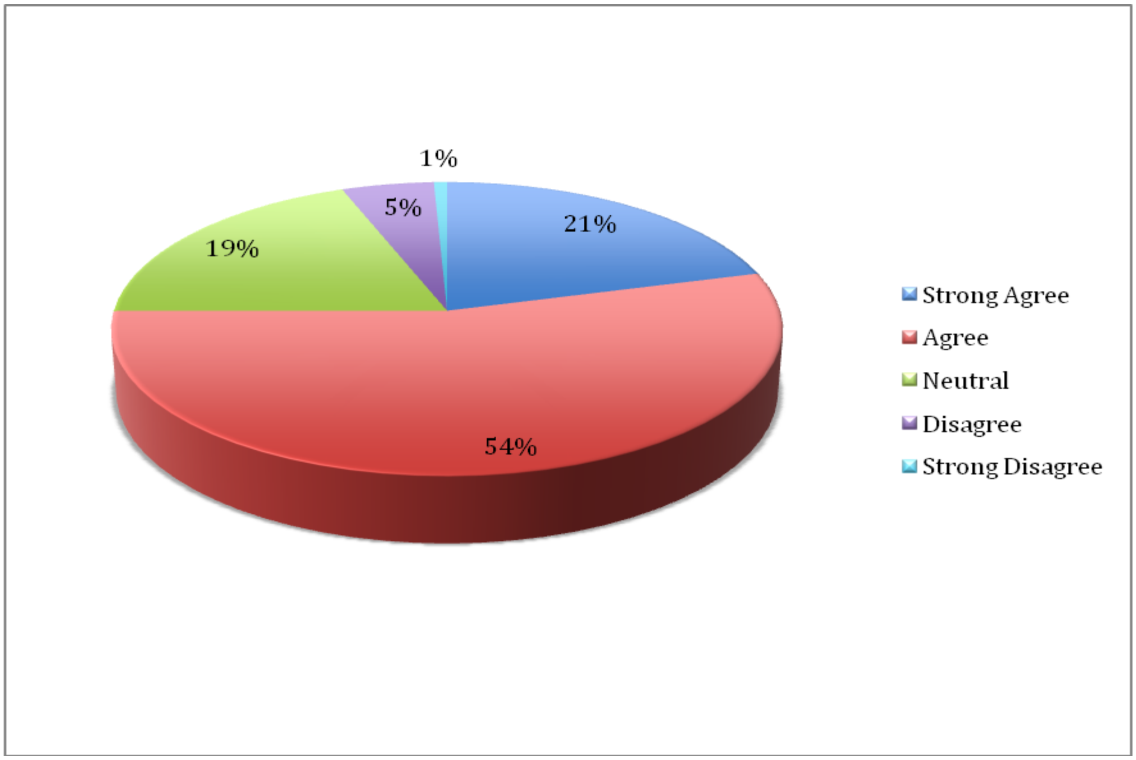
Source: Field Survey 2015

4.2.6 I am satisfied with the technological up-to-date equipments of the bank

In assessing technological up-to-date equipments associated with UCB services i.e Credit cards or smart card, ATM machines, as a service quality determinant in terms of quality; 29 (21 %) percent of the respondents Strong Agree while76 (54%) rated as Agree.27(19%) of them rated these the technological up-to-date equipments of the UCB and only7(5%) of the total respondents Disagree1 (1%) of the total respondents strong Disagree.

This means that only 75% of the total respondents are satisfied with the materials associated with UCB services, the remaining 25% feels that these services are still not up to their expectations.

Figure 4.6 Satisfied with the technological up-to-date equipments of the bank

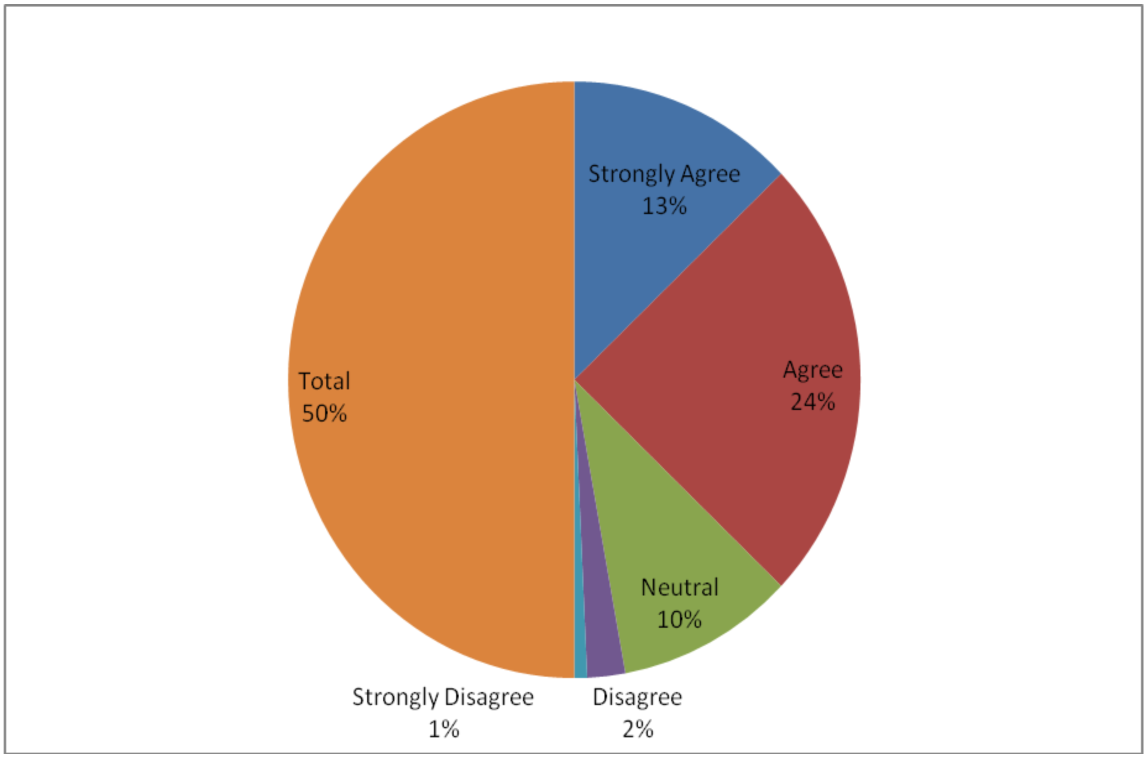


Source: Field Survey 2015

4.2.7 In assessing the bank statement and it is visually clear

associated with UCB services i.e Debit cards or smart card, as a service quality determinant in terms of quality, 36(25 %) percent of the respondents Strong Agree while 53% rated as Agreeing 68(19%), Further 28(20%) were neutral and it is visually clear and 6(4%) rated it Disagree. Only1% rate Strong disagree .This means that only 78% of the total respondents are satisfied with the materials associated with UCB services, the remaining 12% feels that these services are still not up to their expectations.

Figure 4.7 Satisfied with the bank statement and it is visually clear

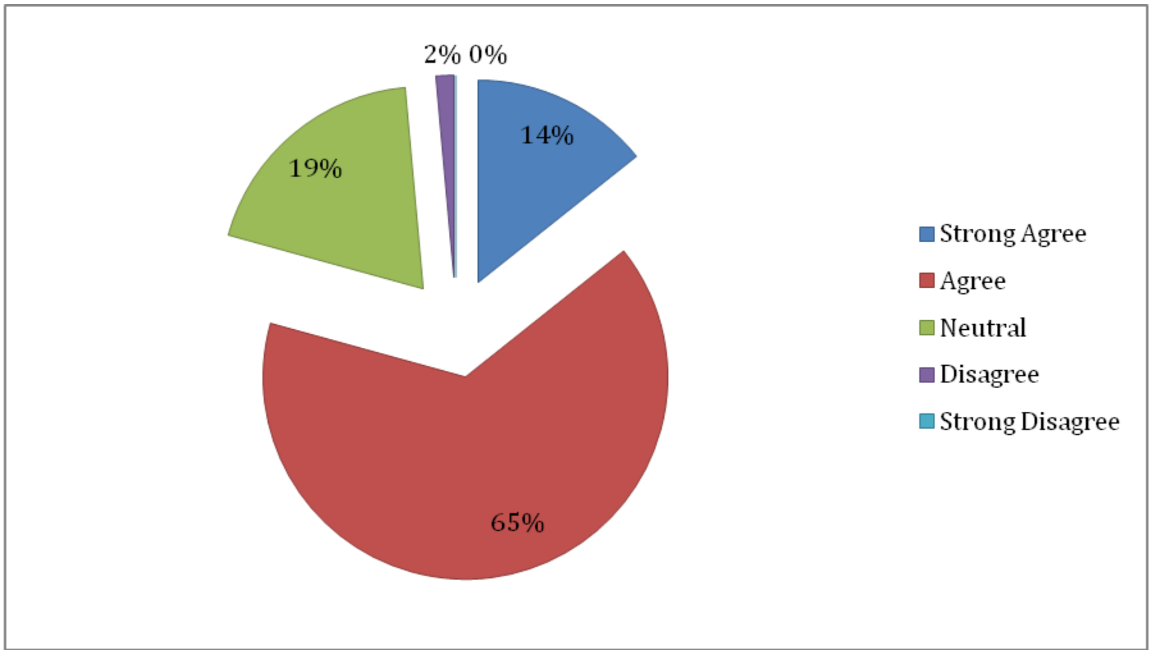


Source: Field Survey 2015

4.2.8 Response to, "UCB promises to customers"

When respondents were asked if UCB promise to do something by a certain time, they do so; 20(14%) of the total respondents rated it Strong Agree and 91(65%) rated Agree. On the other hand 27(19%) of the total respondents rated it Neutral and 2(1%) rated it Disagree. A cumulative percentage of 75% of the respondents said that they are satisfied with UCB promises; the remaining 25% of the total respondents said that when UCB promise to do something by a certain time, they do not do so. That means if UCB promises are not up to their expectations, they are not satisfied. But generally, results show that, more than a quarter of the total respondents said that when UCB promise to do something by a certain time, they sometimes do so, but sometimes do not do so, it is on average status.

Figure 4.8 ssfied with the services provided by the bank as promised

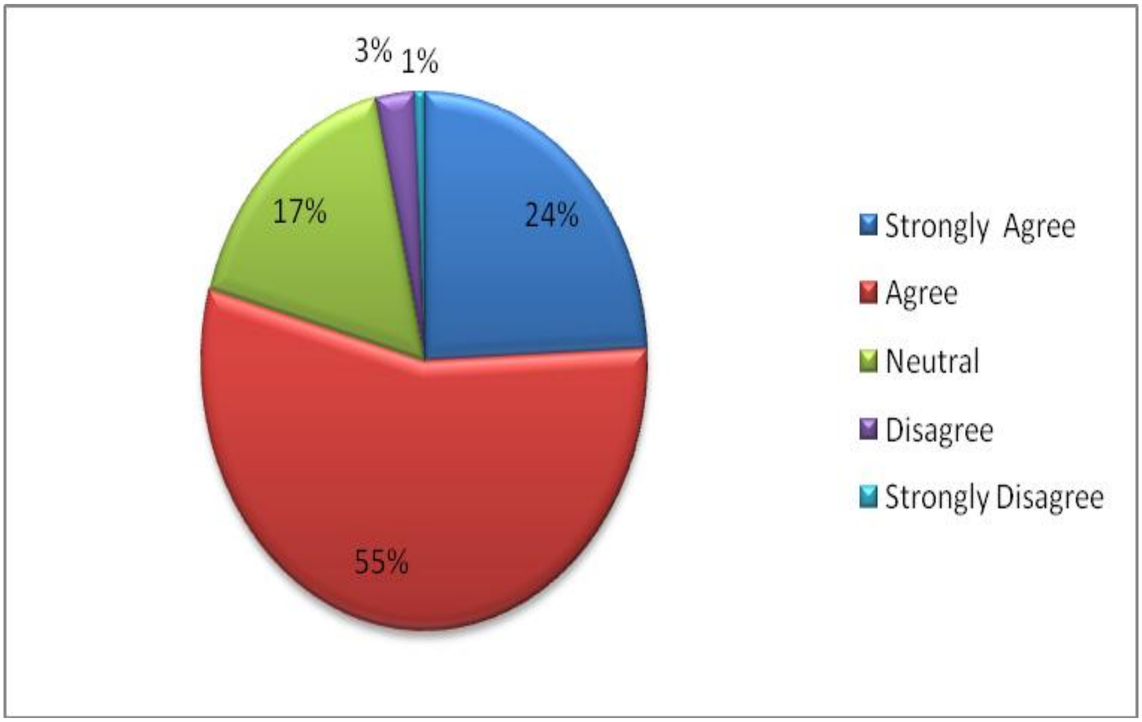


Source: Field Survey 2015

4.2.9The bank has operating hours that are convenient to you

The bank has operating hours that are convenient. The study results revealed that 34(24%) of the total respondents Strongly Agree UCB Operating hours as very convenient to all customers while 77(55%) of the total respondents Agree it as convenient. 24(17%) of the total respondents rated the operating hours as Neutral ,4(3%) of the total respondents Disagree and only1(1%) said the time Set is very inconvenient.

Figure 4.9 The bank has operating hours that are convenient to you

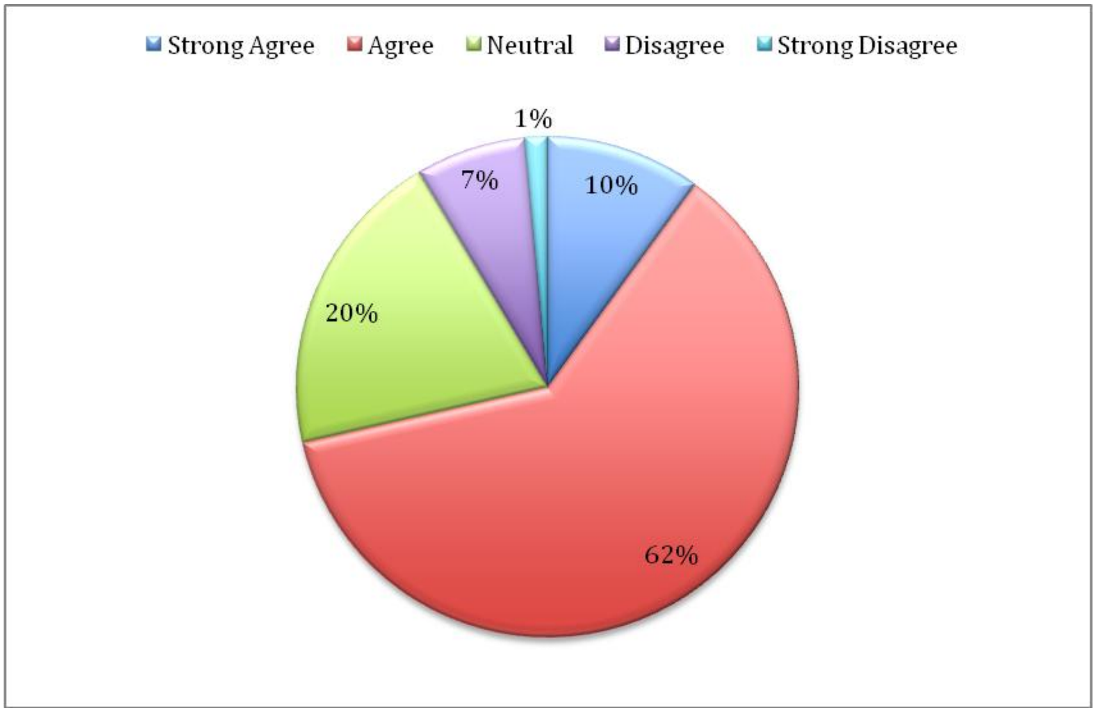


Source: Field Survey 2015

4.2.10 Response to, "I am satisfied with the way bank delivers up to date record"

Moreover the study results also revealed that 34(24%) respondents said that UCB delivers up to date record are Strong Agree A while 83(59%) respondents rated it as Agree. Most respondents at a percentage of 11(16%) respondents showed that UCB customer records is neither good nor bad, it is neutral and 6(5%) respondents rated the records as. Only 1 (1%) respondent said that the records are very poor.

Figure 4.10 Satisfied with the way bank delivers up to date record



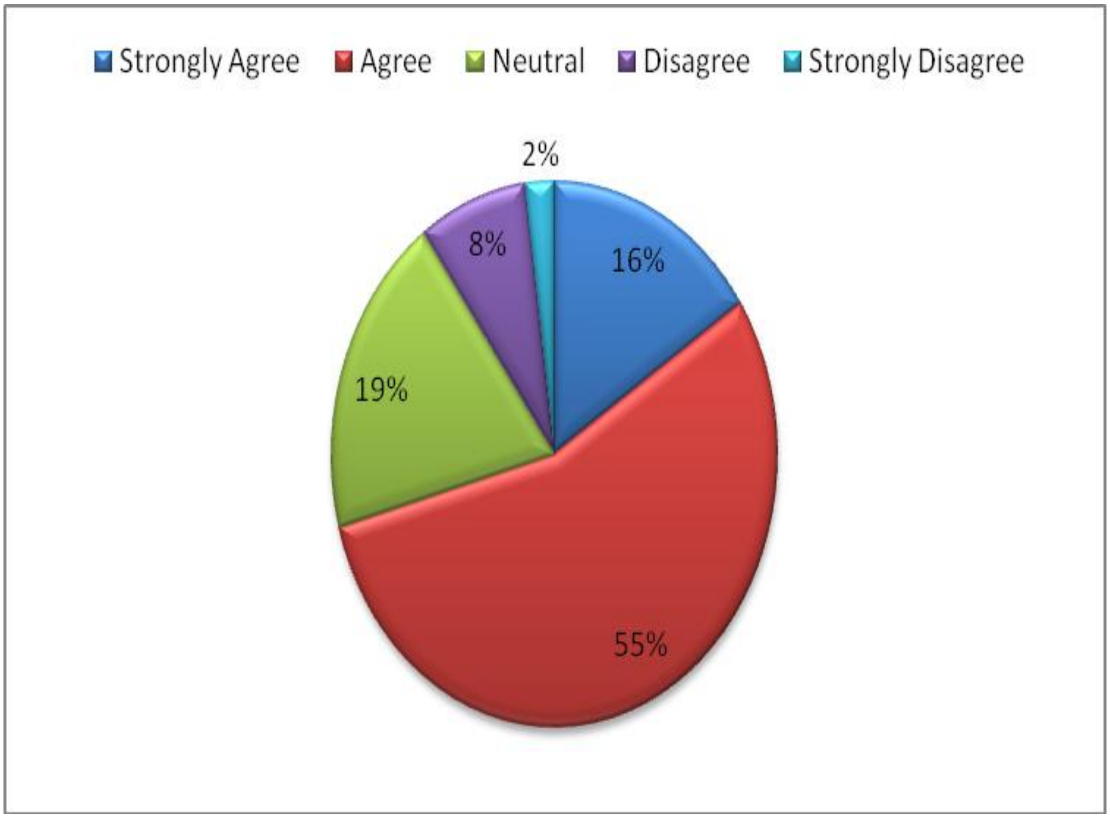
Source: Field Survey 2015

4.2.11 Respondents' response to, Employees' promptness services to customers

Regarding employees' prompt service to customers, 22(16%) of the total respondents Strong Agree while 77(55%) Agree. This gives a total of 71% of total respondents who are satisfied with employees' promptness service to customers. On the other hand 24(20%) of the total respondents rated the services as Neutral and 11(8%) Disagree.

Only 3 (2%) of the total respondents rated Strong Disagree.

Figure 4.11 Satisfied with the employee promptness in providing service

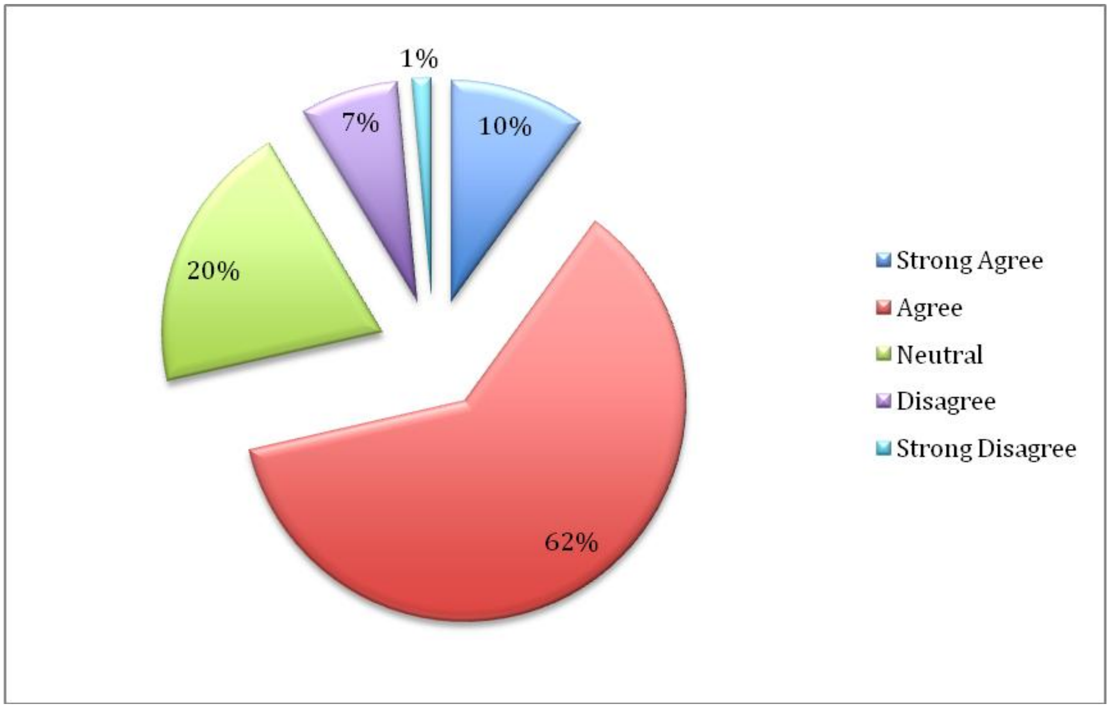


Source: Field Survey 2015

4.2.12 Respondents' response to, Employees' willingness to help customers

About a half of the total employees appear to be willing to help customers in various issues which require their attention. 14(10%) respondents Strongly Agree while 86 (61%) Agree employees. 28 (20%) respondents said employees' willingness to help customers is just Neutral and 10 (7%) Disagree employees are willing to help customers 2(1%).respondent who said employees are highly unwilling to help customers in their concerns.

Figure 4.12 Satisfied with the willingness of employees to help

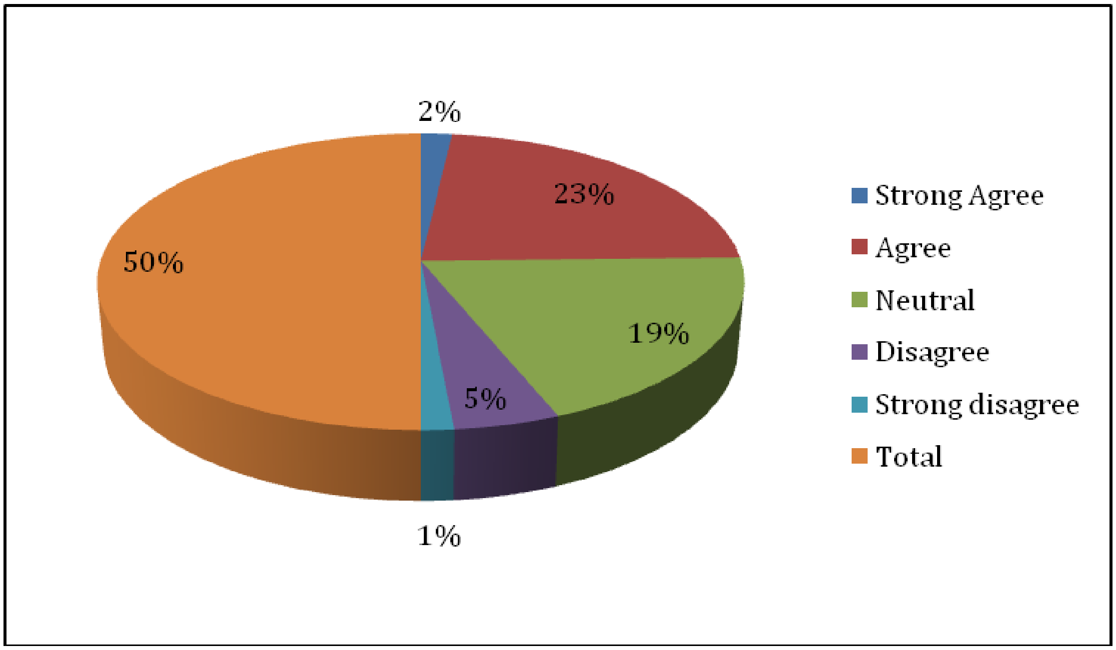


Source: Field Survey 2015

4.2.13 Respondents' response to, "I am satisfied with the security of the bank"

When asked how safe they feel in their transactions with UCB, 5(4%) of the total respondents said that they feel very safe while 64(46%) of the total respondents said that they feel just safe in their transactions. 54(39%) of the total respondents said that they are on an average status and 13(9%) of the total respondents said that they feel unsafe on their transactions 4(3%). Cumulatively, 69(50%) showed that they are satisfied with UCB's service and really feel safe in their transactions. The remaining 50% said that improvements have to be done on UCB's systems because they do not feel safe in their transactions as customers.

Figure 4.13 Satisfied with the security of the bank

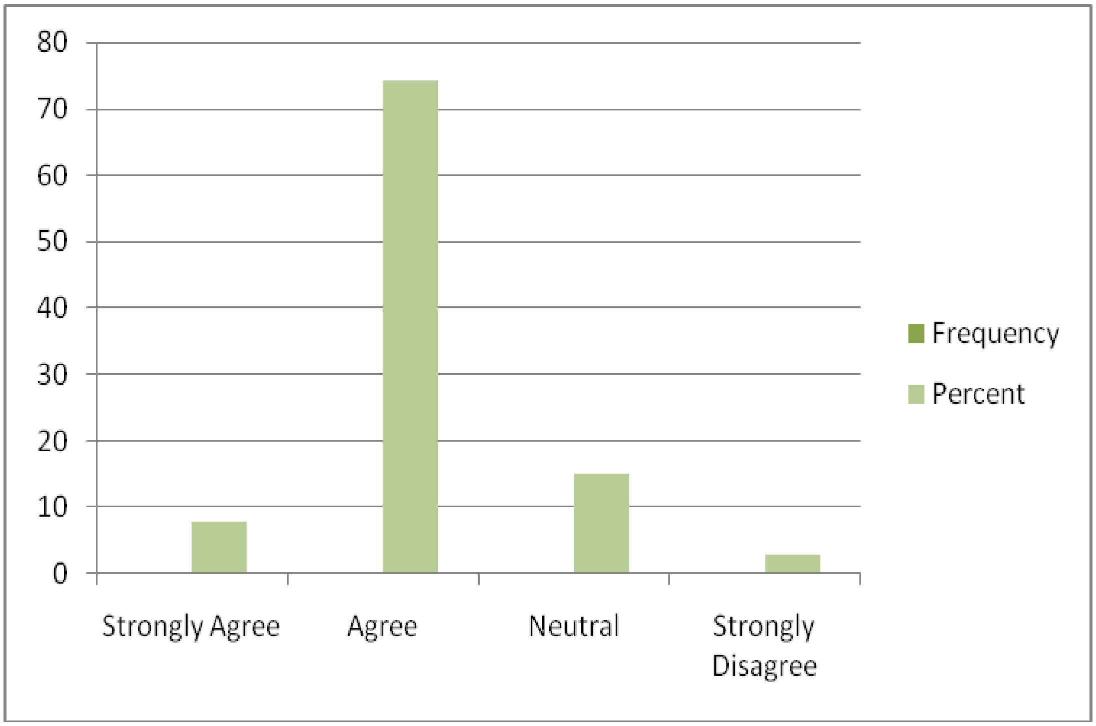


Source: Field Survey 2015

4.2.14 Response to, "I am satisfied with the employee's eagerness of instilling confidence to me"

When asked how they feel whether employees are eager to instill confidence to customers, 11(8%) strongly agree, 104(74%) agree, 21(15%) of the total respondents said that they are on an average status and 4(3%) strongly disagree. Cumulatively, 115(82%) showed that they agree. The remaining 18% said that improvements have to be done on UCB's employees' relationship to customers.

Figure 4.14 Satisfied with the employee's eagerness of instilling confidence to me.

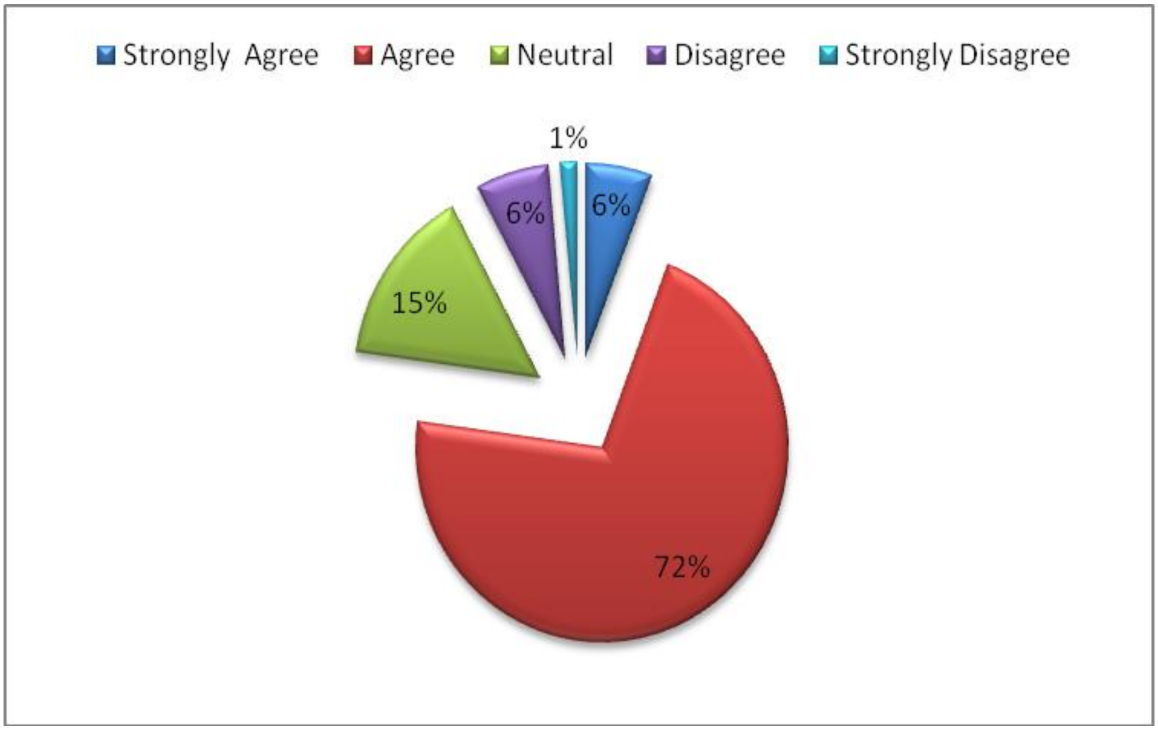


Source: Field Survey 2015

4.2.15. Satisfied of the employee knowledge of their duty to customers

On the other hand the study revealed that 8(6%) of the total respondents Strongly Agree they satisfied of the employee knowledge of their duty to customer 100(71%) of the total respondents Agree while 21(15%) of the total respondent rate neutral, 9(6%) of the total respondents Rate Disagree and only 2(1%) of the total respondent strongly Disagree.

Figure 4.15 Satisfied of the knowledge of the employee

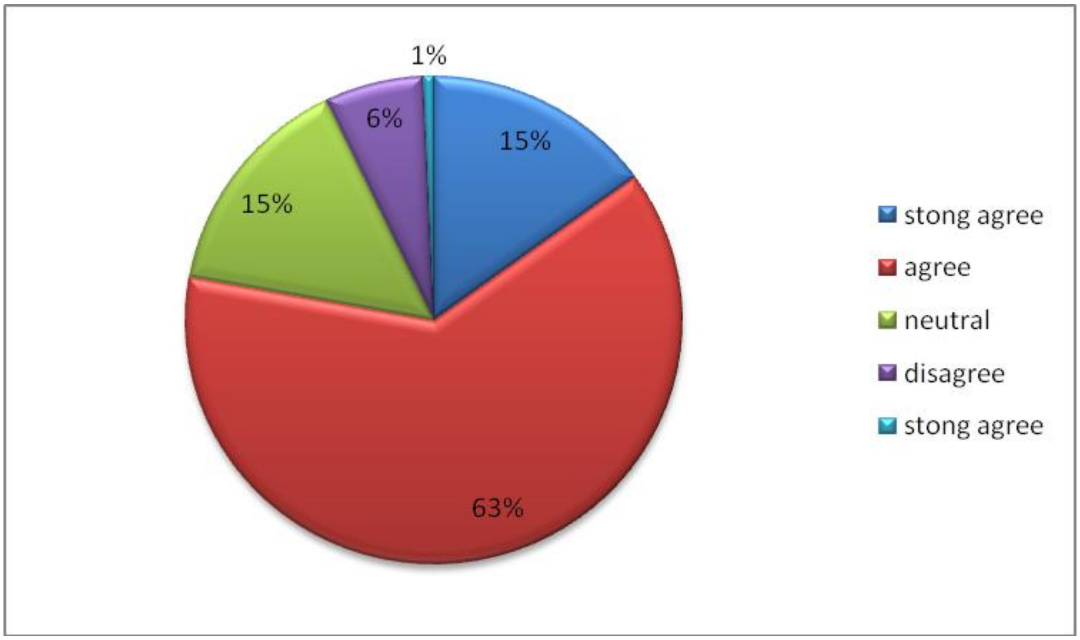


Source: Field Survey 2015

4.2.16 Iam satisfied by the overall service quality of my bank

On the other hand the study revealed that 21(15%) of the total respondents who satisfied by overall service quality and rate Strongly Agree and 88(62%) of the total respondents. Agree While 21(15%)of the Total respondent rated Neutral. 9(6%) respondent who were neither satisfied nor dissatisfied and rate Neutral 9(6%) respondents who dissatisfied and rate disagreed and only 1(1%) of total respondents Strongly Disagree.

Table 4.16 .Iam satisfied by the overall service quality of my bank

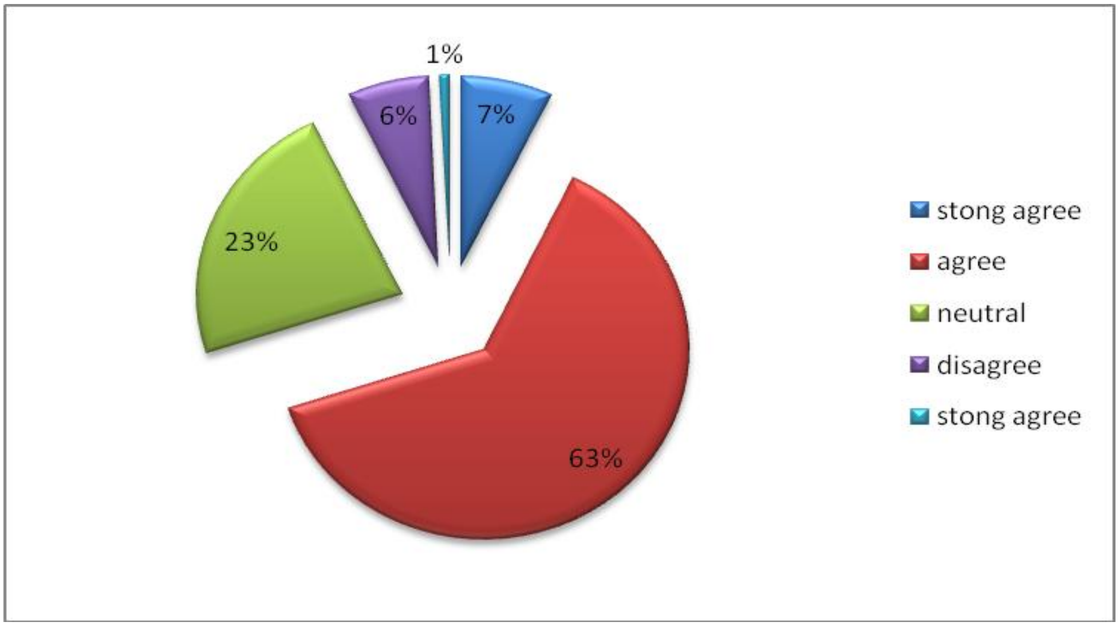


Source: Field Survey 2015

4.2.17 The employees understanding specific needs of customers

Customer needs vary. Not all customers have same needs. From this point of view employees of UCB should understand specific needs of the customers. The study results revealed that 10 (7%) respondents Strongly Agree while 88(63%) of total respondent Agree.32 (23%) respondent rated Neutral, and 9(6%) rated it poor. Only 1 (1%) respondents strongly disagree.

Figure 4.17 The employees understanding specific needs of customers.

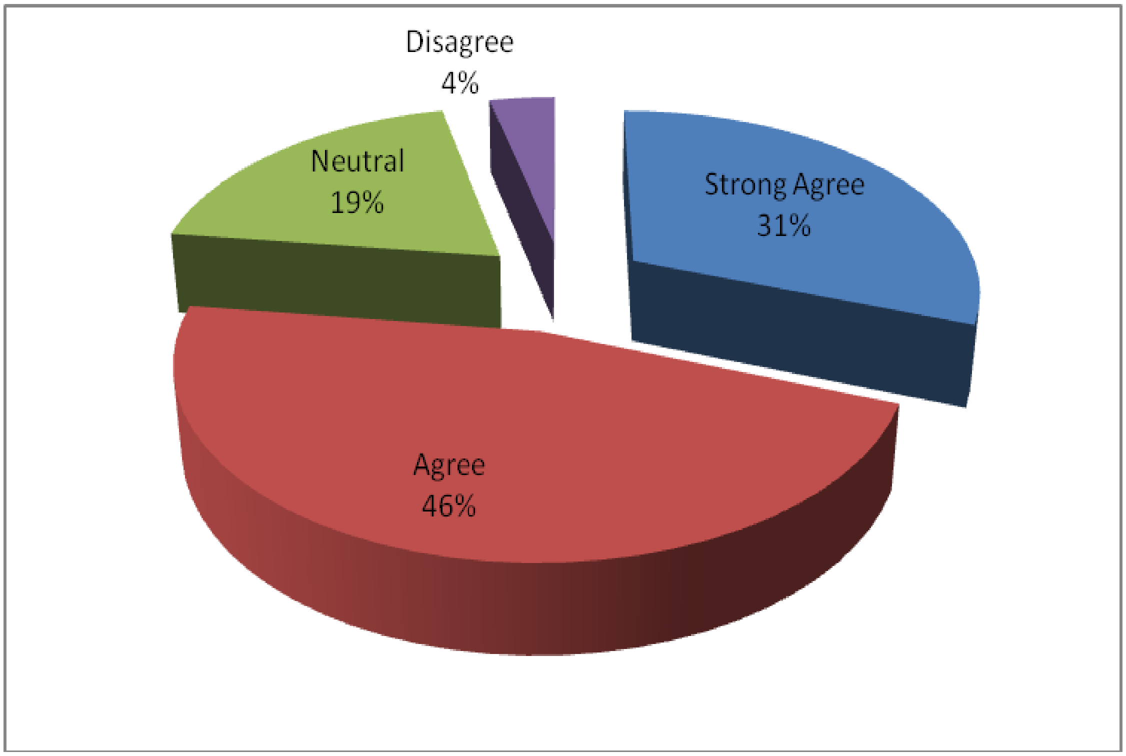


Source: Field Survey 2015

4.2.18 Response to, "Say positive things about the Bank to other people"

When asked whether they would say positively about UCB. 43(31) of the total respondents said that they would say very positive, 65(46%) of the total respondents said that they say just positive.27 (19%) of the total respondents said that they are on an average status and 8% of the total respondents said that they wouldn't. Cumulatively, 81% showed that they are positive. The remaining 19% said that improvements have to be done on UCB's systems because they are yet to be encouraged as customers.

Figure 4.18 Say positive things about the Bank to other people



Source: Field Survey 2015

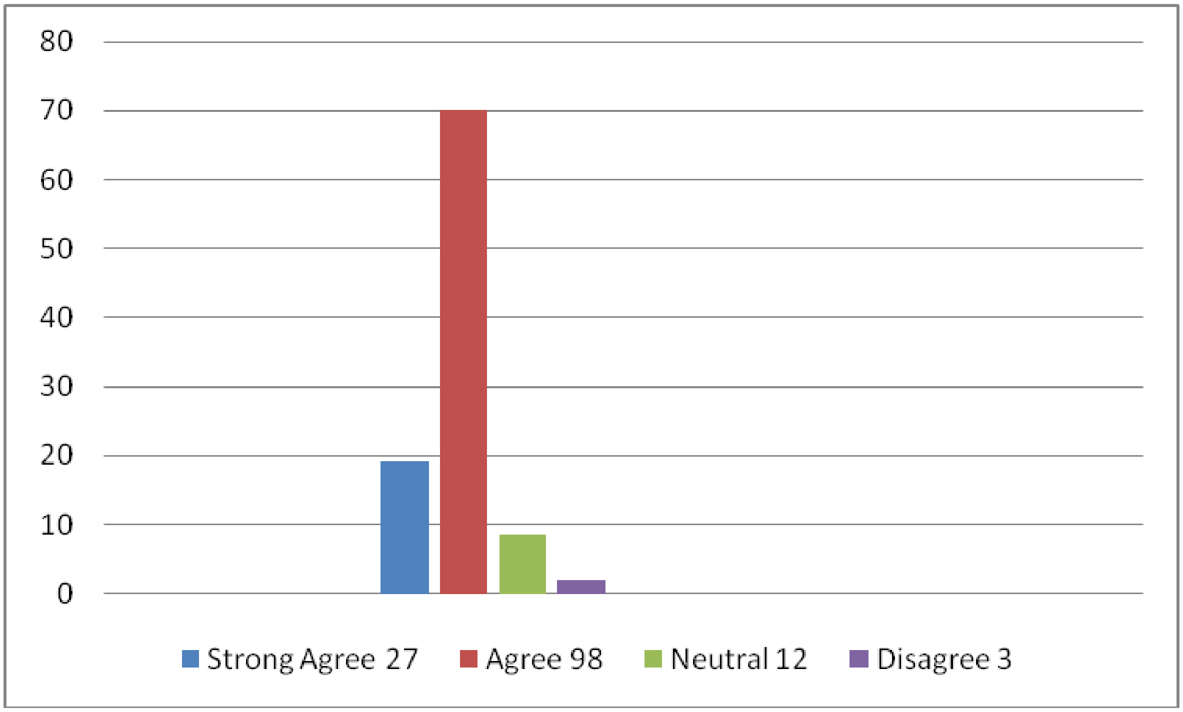
4.2.19 Encourage friends and relatives to do business with Bank"

On the other hand the study revealed that 27(19%) who were completely satisfied Strongly Agree they will Encourage friends and relative to do business with UCB and 98(70%) who were just satisfied and that they will encourage Friends and relative to do business with the bank.12(9%)respondent who were neither satisfied nor dissatisfied and 3(2%) respondents who were dissatisfied said that will definitely disagree to Encourage friends and relative to do business with Bank.

Therefore through above analysis, the study reveals direct relationships between provision of quality services and performance in terms of customer turnover.

As evidence to others (i.e Marketing communication through Word of Mouth) while dissatisfied customers are not willing to repeat purchase as well as Encourage service to other people.

Figure 4.19 Encourage friends and relatives to do business with Bank.



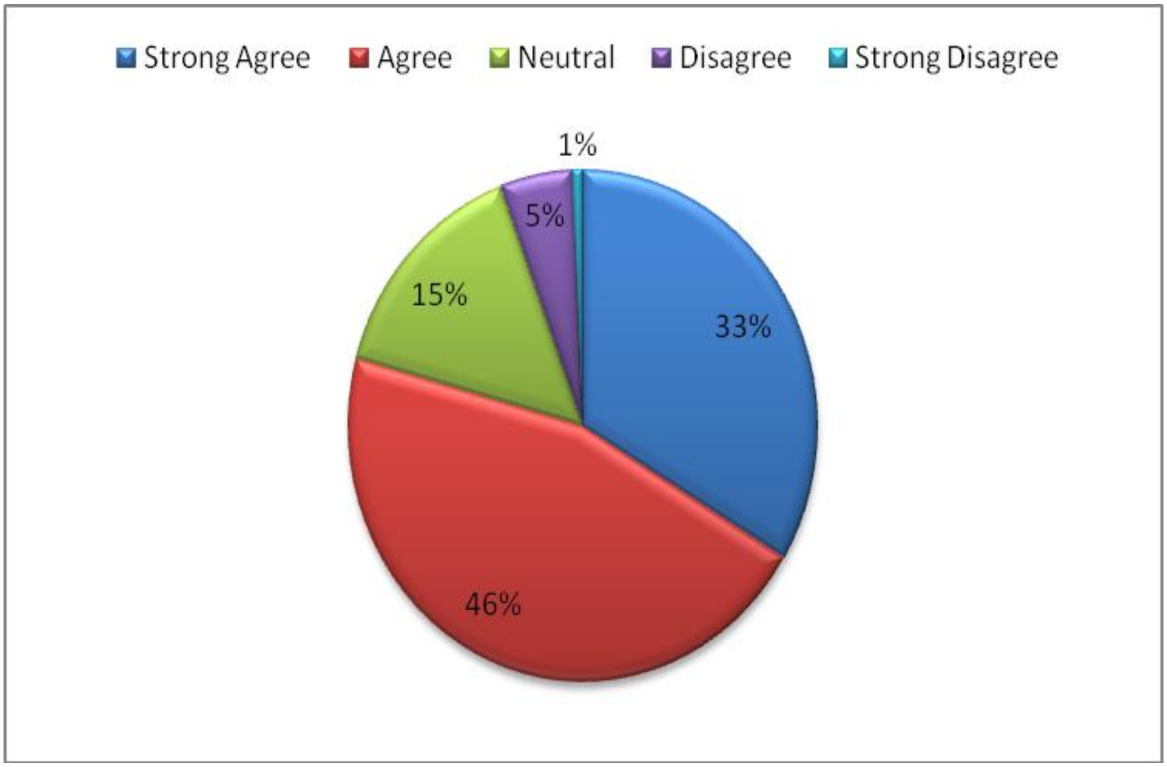
Source: Field Survey 2015

4.2.20 Intend to continue doing business with Bank

When asked whether they will intend to continue doing business with UCB in the future assuming that there be another Bank provide the service. 47(34%)respondents Strongly Agree. while 64(46%)of total respondent Agree and 21(15%) of the total respondents showed some doubt in their decision and rate Neutral while 7(5%) of the respondents Disagree, only 1(1%) strongly Disagree.

In this case 80%.Therefore this shows a significant relationship among equality of the service and customer satisfaction and their decision to consume in the future (repeat purchase).If customers will repeat purchase, company's revenue as well as profit will also increase.

Figure 4.20 Intend to continue doing business with Bank



Source: Field Survey 2015

Recalling the first research question: "What are the specific service quality attributes that influence customer satisfaction in the banking sector in Tanzania?" the first hypothesis will examine the correlation between the service quality attributes and customer satisfaction in the banking sector in Tanzania.

The hypotheses are as follows:]

HO1 There is no significant relationship between tangibility and customer satisfaction in commercial banking.

The result of Pearson correlation analysis provided in table below shows that reliability is significantly, positively correlated to satisfaction. The result shows a coefficient of .652** at p =0.01 which shows that the two constructs, service quality delivery and customer satisfaction are positively related. Therefore, the hypothesis should be rejected.

Correlations

		Customer Satisfaction	Tangibility
Customer Satisfaction	Pearson Correlation	1	.652**
	Sig. (2-tailed)		.000
	N	140	140
Tangibility	Pearson Correlation	.652**	1
	Sig. (2-tailed)	.000	
	N	140	140

**. Correlation is significant at the 0.01 level (2-tailed).

HO2 there is no significant relationship between reliability and customer satisfaction in commercial banking..

The result of Pearson correlation analysis provided in table 1.1 shows that reliability is significantly, positively correlated to satisfaction. The result shows a coefficient of .564** at p =0.01 which shows that the two constructs, service quality delivery and customer satisfaction are positively related. Therefore, the hypothesis should be rejected.

Correlations

		Customer Satisfaction	Reliability
Customer Satisfaction	Pearson Correlation	1	.564**
	Sig. (2-tailed)		.000
	N	140	140
Reliability	Pearson Correlation	.564**	1
	Sig. (2-tailed)	.000	
	N	140	140

**. Correlation is significant at the 0.01 level (2-tailed).

HO3 Responsiveness has no significant effect on customer satisfaction in commercial banking

The result of Pearson correlation analysis provided in table below shows that reliability is significantly, positively correlated to satisfaction. The result shows a coefficient of.320** at p =0.01 which shows that the two constructs, service quality delivery and customer satisfaction are positively related. Therefore, the hypothesis should be rejected.

Correlations

		Customer Satisfaction	Responsiveness
Customer Satisfaction	Pearson Correlation	1	.320**
	Sig. (2-tailed)		.000
	N	140	140
Responsiveness	Pearson Correlation	.320**	1
	Sig. (2-tailed)	.000	
	N	140	140

**. Correlation is significant at the 0.01 level (2-tailed).

HO4There is no significant relationship between assurance and customer satisfaction in commercial banking.

The result of Pearson correlation analysis provided in table below shows that assurance is significantly, positively correlated to satisfaction. The result shows a coefficient of .353** at p =0.01 which shows that the two constructs, service quality delivery and customer satisfaction are positively related. Therefore, the hypothesis should be rejected.

Correlations

		Customer Satisfaction	Assurance
Customer Satisfaction	Pearson Correlation	1	.353**
	Sig. (2-tailed)		.000
	N	140	140
Assurance	Pearson Correlation	.353**	1
	Sig. (2-tailed)	.000	
	N	140	140

**. Correlation is significant at the 0.01 level (2-tailed).

HO5 Empathy has no significant effect on customer relationship in commercial banking

The result of Pearson correlation analysis provided in table below shows that reliability is significantly, positively correlated to satisfaction. The result shows a coefficient of .353** at p =0.01 which shows that the two constructs, service quality delivery and customer satisfaction are positively related. Therefore, the hypothesis should be rejected.

Correlations

		Customer Satisfaction	Empathy
Customer Satisfaction	Pearson Correlation	1	.307**
	Sig. (2-tailed)		.000
	N	140	140
Empathy	Pearson Correlation	.307**	1
	Sig. (2-tailed)	.000	
	N	140	140

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.788[a]	.621	.604	3.73871	.621	36.404	5	111	.000

a. Predictors: (Constant), responsiveness_1, reliability_1, tangible_1, assurance_1, empathy_1

b. Dependent Variable: customer_satisfaction_1

c. p<0.01

REGRESSION ANALYSIS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.798	2.164		6.300	.000
	Assurance	.109	.195	.062	.559	.477
	Reliability	-.106	.174	-.117	-1.182	.240
	Tangibles	.863	.167	.621	5.174	.000
	Empathy	.140	.200	.093	.702	.484
	Responsiveness	.179	.218	.109	.819	.415

a. Dependent Variable: customer_satisfaction_1

b. $p<0.01$

TABLE 2(B): REGRESSION ANALY0

The result in Table 7 shows that the combination of Assurance, Reliability, Tangibles, Empathy and Responsiveness together contributed to 62.1% effect on Customer Satisfaction. The R^2 for the overall study on the five dimensions, namely Assurance, Reliability, Tangibles, Empathy and Responsiveness, suggests that there is a strong effect of these five independent variables on Customer Satisfaction. The F value (36.404) changes are significant which implies that the model is fit and robust.

From the above table, concluded that the Assurance, Reliability, Empathy and Responsiveness have no significant effect on Customer Satisfaction. Only Tangibles have significant effect on Customer Satisfaction. (p-value < 0.01)

CHAPTER FIVE

CONCLUSION, APPLICATION, IMPLICATION AND RECOMMENATIONS

5.0 Introduction

The main objective of the current study was to find the interrelationships between service qualities delivery and its impact on customer satisfaction in the banking sector in Tanzania. The study sought to identify the most important attributes in bank settings, which might be used to review characteristics of the banks as experienced by customers.

5.1 Conclusion

5.2Applications and Discussion of Findings

The applicability of the SERVQUAL measure is well established in the banking industry. Anguret al. (1999) stated that SERVQUAL instruments are the best measure of service quality perceptions in the banking industry.

The current study also used the SERVQUAL instruments to measure the service quality perceptions in the banking sector in Tanzania. This study used the SERVQUAL model to determine the relative importance of each of the service quality attributes which influence customer overall quality perceptions.

5.2.1 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 theservice, appearance of personnel and communication materials, Convenience of physical nfacilities and layouts. In addition to the appearance of the facilities, it also takes into account theconvenience offered the customer by the layout of physical facilities (Ananth et al,2011). Our research shows that it has positive correlation and high significant with customer service. The commercial banks operating hours had been reduce down to five days per week, people had found difficult going to banks for settling their manner. As a result, machines are used to help the banks to provide faster and better services to their customers. Internet banking is spread all over nationwide like wild fire, it promise 24/7 non-stop service, customers are able to settle many manners without leaving their home or office, including pay bills, check account balance, inter-bank transferred and loan installment and others. Many machines such as ATM machines, cash deposit machines, cheque deposit machines, and its functions also improved to serve walk-in customer. These machines are being build in a way with less error, more accurate and less time to spend, and they can work in extend hour. Many commercialing banks are taking steps to improve this manner to retain and capture more customers. Banks branches are operating in many shopping mall and retail stores nowadays. Most of these branches are operated from 10am till 5pm, some even 7 days a week, which are not the same compare with other banks branches; some banks even operating in every Saturday and Sunday. All these changes are made to fulfill customer satisfaction, capture and retain their customers

5.2.4 Reliability

Reliability is about the accuracy and timeliness in the service provided. Reliability also consists of accurate order fulfillment; accurate record;accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. Responses to our research, Reliability does not have any significant impact on customer satisfaction. This may be caused by the growth of the phone banking and internet banking. Customers do not concern about the reliability level in customer service since they have an alternative to turn into. With the rapid growth in the internet technology, many banks have setup their internet banking portal, and the banks have spend great afford, such as TV advertisement, free gift, lucky draws and many other ways, to encourage their customers use the internet banking. Commercial banks are able to reduce the operation cost by not extending the business hours and reduce staffs, since the Internet banking is operating 24 hours a day without supervision. A part from that, machines have been used to replace banks staffs as well to help customers in cash withdraw, cash credit, cheque, credit cards, bank book update, credit transfer and many other services. Now, customers have higher demand in the machine reliability rather than human reliability when dealing with banks.

5.2.3 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 serviceds. Responses to our research suggest that responsiveness has relationship but no significant effect on customer satisfaction. We can conclude that responsiveness is a need in providing quality service, but not a must. Once again, this result shows that the banks' customers are prefer to deal with the machines rather than human being. Machines are made to have a shorter respond time compare to human being, and continual improving every day. While human responsiveness sometime can be affected by emotion, which causing low in productivity. Customers can understand that sometime machines can break down, but they cannot accept if they requirement is not being responded on time by the banks' staffs. These are the difference perception from customers between dealing with machines and human being.

5.2.4 Assurance

Based on the finding, Assurance has positive relationship with Customer Satisfaction, but without significant effect. 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. There are two possibilities; firstly the customers feel that the commercial banks have provided enough safety and confidence in their service. Most customers started to take it as granted that there is no safety problem in dealing with any banks. In this manner, that commercial banks should improve the security concern to the public, many cases had reported that security breach in the internet banking and phone banking, and most of the time is due to the customers' carelessness and recklessness. Secondly, the customers have given up since all the commercial banks are not able to provide the level of safety expected. The customers are hopeless. In this manner, the commercial banks should improve the assurance in their services. This is a way to retain the customers, and even it can become a selling point to a particular bank if they can provide a better security compare to others.

5.2.5 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.

The results of the research suggest that there is a no significant positive relationship between the empathy and customer satisfaction. Although most of the customers would like to use the new facilities in the bank, there are still groups of who people prefer a face-to-face service by the banks. A part from that, there are chances that customers are forced to resort to the conventional way of by queuing up at tellers during banking hours. They have no other alternative, but to make personal contact with the banks' staffs each time the ATM machines go `out of service` (due to maintenance or power failure). By human nature, people tend to expect empathy and respect from someone who they wish to deal with. Technology provides the platform to mitigate the problem of workloads and error, provide a more efficient and quicker problem solving solution. Yet, the banks should maintain and improve the empathy skill since personal contact is still very important in direct marketing.

Managerial Implications

The current study has shown the interrelationships among service quality, and customer satisfaction in banking sector in Tanzania. This study confirms the positive relationship between all the service quality attributes mentioned and customer satisfaction. This study also suggests that SERVQUAL is a suitable instrument for measuring the bank service quality in the Tanzanian context. Therefore, bank managers can use this instrument to assess the bank service quality in Tanzania.

Moreover, because all the dimensions of service quality attributes are positively correlated with customer satisfaction, Tanzania bank managers should emphasize all the service quality dimensions in maintaining and improving the service quality that they provide.

Commercial bank managers need to invest in employee training programs that will provide employees with an understanding of service culture and service excellence. Employee training programs should pay particular attention to "interpersonal communication" and "customer care" factors, in order to be able to meet the customers' need for "personalized service". Employees using a professional approach to interactions with customers will be able to provide the service in an emphatic manner, promptly recover service failures and ensure that the service delivered is consistent with the service promised. Bank staff should be encouraged to take part in figuring out an effective satisfaction strategy. Only when a service culture is created, can the commercial banks management ensure the efficient delivery of services most desired by customers. This will result in high customer satisfaction, retention and satisfaction (Reichheld, 1996; Caruana, 2002) within the Tanzania Commercial Banking industry.

Commercial bank management has to make sure that things are done right the first time and to ensure that the promises made to customers are kept in terms of service delivery. Commercial banks need to emphasize service quality by introducing standards for service excellence. The study has shown that customers are looking for banks that keep their promises, provide prompt service and have employees that are competent and always willing to help the customer.

Recommendations for Future Research

Several issues, associated with the limitations inherent in this study, require further research considerations. The researcher recommends that future research should concentrate on a bigger sample size and different types of banks [including foreign banks] in Tanzania. In addition, more decision making variables should also be considered in their research models.

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APPENDICES

APPENDIX I: PROPOSED RESEARCH BUDGET

NO.	PARTICULARS		AMOUNT (TSHS)
1.	Preparation of the Proposal		580,000/=
	Stationery and secretarial work	300,000/=	
	Storage devices	80,000/=	
	Literature preparation	200,000/=	
2.	Data Collection		950,000/=
	Transport costs	200,000/=	
	Field allowances: Researcher	450,000/=	
	Research Assistants (2) 300,000/=		
3.	Data Analysis	200,000/=	400,000/=
4.	Final Document Preparation		500,000/=
	Stationeries	400,000/=	
	Secretarial Work	250,000/=	
	Binding	200,000/=	
	TOTAL COSTS		**2,430,000/=**

APPENDIX II: SCHEDULE OF ACTIVITIES

Activity	Duration, 6 Months from 1st Feb 2014 to 31st July 2014					
Weeks	1	2	3	4	5	6
Writing Proposal						
Data collection						
Data editing and coding						
Data analysis & interpretation						
Documentation and submission						

APPENDIX III: QUESTIONNAIRES

Please mark the box that best reflects your response to each question.

Where asked to comment please write as much as you can, if the space provided is not enough please write at the back of the page.

1. Respondent particulars

Gender

Male [ ]

Female [ ]

Age

Less than 20 [ ]

20 - 29 [ ]

30 - 39 [ ]

40 - 49 [ ]

50 - 59 [ ]

60 and above [ ]

Occupation

Professional [ ]

Student [ ]

Management [ ]

Housewife [ ]

Employee of company [ ]

Government employee [ ]

Private business [ ]

Others [ ]

1. I am satisfied with the premises (infrastructure, building etc) of the bank and it is visually appealing.

Strongly Agree AgreeNeutral Disagree Strongly Disagree

2. I am satisfied with the technological up- to date equipments of the bank?

Strongly Agree Agree Neutral Disagree Strongly Disagree

3. I am satisfied with the bank statement and it is visually clear.

Strongly Agree Agree Neutral Disagree Strongly Disagree

4. I am satisfied with the services provided by the bank as promised.

Strongly Agree Agree Neutral Disagree Strongly Disagree

5. I am satisfied with the operating hours of the bank

Strongly Agree Agree Neutral Disagree Strongly Disagree

6. I am satisfied with the way bank delivers up to date record.

Strongly Agree Agree Neutral Disagree Strongly Disagree

7. I am satisfied with the employees' promptness in providing services in the bank.

Strongly Agree Agree Neutral Disagree Strongly Disagree

8. I am satisfied with the willingness of employees to help customers.

Strongly Agree Agree Neutral Disagree Strongly Disagree

9. I am satisfied of the knowledge of the employee.

Strongly Agree Agree Neutral Disagree Strongly Disagree

10. I am satisfied with the security of the bank.

Strongly Agree Agree Neutral Disagree Strongly Disagree

11. I am satisfied with the employee’s eagerness of instilling confidence to me

Strongly Agree Agree Neutral Disagree Strongly Disagree

12. I am satisfied with the bank service of providing customers best interest at heart.

Strongly Agree Agree Neutral Disagree Strongly Disagree

13. The employee understandunderstand specific needs of customers.

Strongly Agree Agree Neutral Disagree Strongly Disagree

14. Say positive things about the Bank to other people.

Strongly Agree Agree Neutral Disagree Strongly Disagree

15. Encourage friends and relatives to do business with Bank.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

16. Intend to do business with Bank.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

17. Please what do you think should be done by UCB to improve the level of service quality?

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