

**THE EFFECTS OF CUSTOMER EXPECTATIONS  
ANDPERCEPTION TOWARDS SERVICE QUALITY:  
A CASE OF NMB BANK UNIVERSITY BRANCH AND  
MLIMANICITY BRANCH**

**BY**

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**A Dissertation Submitted to the School of Business in Partial Fulfillment of the  
Requirement for the Award of the Degree of Master of Business Administration  
of Mzumbe University.**

**2019**

## CERTIFICATION

We, the undersigned, certify that we have read and hereby recommended for acceptance by the Mzumbe University, a dissertation entitled “**EFFECT OF CUSTOMER EXPECTATION AND PERCEPTION TOWARDS SERVICE QUALITY**” in partial fulfillment of the requirements for award of Master degree of Business Administration at Mzumbe University.

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## **DEDICATION**

I dedicate this work to my beloved family, most especially my mother Dr: Mary Kileo, thank you for believing in me even when I did not believe on myself and for all the scarifies you made in my life. My late sister Evelyn Kimori who really wished to see this work, may your soul keep resting in peace am sure I made you proud.

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## **LIST OF ABBREVIATIONS**

<b>ATM</b>	Automatic Teller Machine
<b>CRDB</b>	Cooperative Rural Development Bank
<b>NMB</b>	National Microfinance Bank
<b>SERVPERF</b>	Service Preference
<b>SERVQUAL</b>	Service Quality

## **ABSTRACT**

Changes in market in recent years have forced many businesses to focus on improving the quality of services in order to bring about customer satisfaction. This makes service quality be the central theme of many businesses as it ensures attainment of customer expectations and positive perception of customers. This study aimed to assess the effect of customer expectation and perception towards service quality, using the case of NMB Bank in Dar es Salaam. The study specific objectives included; to identify the role of empathy and assurance towards service quality, to assess how service tangibility and reliability affect service quality, to find out factor that influence customer expectation and perception on the service and to assess challenge that limits service provider to meet or exceed customer satisfaction.

The study based on the case study design, held in two NMB branches, with the total sample size of 160 drawn through simple random and purposive sampling. Data collection techniques include questionnaires, observation and interview for primary data and document review for secondary data. Data was analyzed with multiple regression technique and presented as well. From the finding it was observed that most of the NMB customer tend to be satisfied with the existence of the tangibles, empathy and responsiveness when receive the service so the management should consider putting more emphasis on this so that to enhance level of customer satisfaction.

In conclusion, it has been revealed that NMB receives many customers due to the ability of the bank to meet the expectations of customers. Also, customers have positive perception on the quality of services though there are still challenges which reduce the ability of the bank to meet expectations of all its customers. Therefore, it is recommended that; the bank should work on improving their business time to time because banking industry is the competitive industry so customer review should be done time to time so as to ensure the needs are well meet and customer expectation are meet promptly and satisfied. Also, for further study in the banking industry other research should consider doing a paper on internet banking and using a bank service online as widely known as e-banking, its challenges, impact, risks and how they can satisfy customers.

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## **CHAPTER ONE**

### **1.0 Introduction**

This chapter elucidate the entire framework of the research problem, it inquires about the exploration of the background of the problem, statement of the problem, objectives of research, research questions and significance of the study.

### **1.1 Background of information**

The trend of world market has changed noticeably from local to modern service and all of the service businesses are trying their best to improve their service quality in order to make customers satisfied with their services market (Asian development outlook, 2007). This can be traced back in different conceptual perspective, different places in the world has different views about service quality. In developed country like America service is viewed mostly considering two things that is the reliability and assurance, they are considered as the most important factor for creation of customer satisfaction and good corporate image, this are viewed as the most functional factors for satisfaction of the customers (Parasuraman, 1995). In Europe, service quality is basically suggested to be cooperate bond that builds the customer loyalty and public in general (Parasuraman, 1995).

In the African content, with a lot of developing countries Tanzania being among them service is viewed as a tool to evaluate performance, the basis of customer perception and expectance and the actual service quality is what exactly being resulted to performance (Groons, 1985). Compared to develop countries, here service quality is different taken and valued and provided to the customers because the main purpose of having a quality service is for customer to enjoy the provided service.

It has become important and necessary, for companies to have a proper understanding of the expectation levels of the customers and design service delivery according to their expectations, delivering a service according to customer

expectations and superior quality of service enhances the competitive advantage of a business and helps in retaining customers. (Ranganathan & Ganapathy, 2002)

Customer expectation is the pre experience belief of actual experience yet to come; it plays important and crucial part in making decision regarding uncertainty future (Oliver & Winer, 1987). Expectation is created from different marketing activity such as advertisement, corporate image, word of mouth as well as experience with the service (Gronroos, 2008) previous experience play big role on forming expectation. Customer who had past experience create a new market expectation and their expectation have prior experience and point of reference hence the expectation formed become less refined, more implicitly and more unrealistic and after receiving the service customer become more refined, clear explicitly and realistic (Higgs, Polonsky & Hollick, 1997).

However, nature of customer service expectation and how they are formed remain ambiguous, defined customer service expectation in variety of way but with no conceptual framework to link different type of expectation or indicate their interaction in influencing perception of service performance. Quality can be considered as ability of service to consistently meet or exceed customer requirement or expectation, quality is conformity to the intended given requirement or specification of product or service. Quality deliverance means conformance to customer expectation and consistence to the needs so it should base on expectation of customers, a failure to know what customer expected is one of the common causes for poor service quality (Zeithmal et al, 1990). Customer expectation describes desire of what consumer wants the crux is that customer. Expectation is a feeling that customer have toward the organization. Expectations are most instances different from what customer get in the real life, which is why perception of the customer is important on the reality of the performance.

Perception is solid process which an individual acquires knowledge about environment and interprets the information as according to his or her needs, requirements and attitudes. (Bergiel, 1989) perception is the approximation to reality;

it shows how we see the world around us and give meaning to things. In the science of consumer behavior, perception is presented as one of the personal factors that determine consumer behavior because their personal attributes, aptitudes, opinions and motives are the factors that influence their actions and behaviors. They concluded that perception can be considered as the principal personal factor, and it conditions the nature and direction of the remaining variables.

It has been noticed that service quality is the most potential strategy for customer retention, enhancing operational efficiency and the main single factor on business unit performance. The whole process of implementing and evaluation of service quality is a complex activity; there are two dimensions that are to be taken into consideration, that is content and delivery. Customers are the best in the position to evaluate the quality of delivery and service provider best in judging the content of the message (Zeithaml and Bitner, 1996). For any organization to meet the perception of the customer there must be a high service quality starting from the top management to their employees as internal customers and that will result in the satisfaction of the external customers (Mintzberg, 1986). In most cases service quality assessment is performed during service delivery and service is evaluated based on customer perceived value (Zeithaml, 1996).

Customer satisfaction is the result of evaluation between what the customer expected and perceived quality. The components of service quality include both project execution as well as final service delivered, the satisfaction is a result of customer expectation on service as well as the service process, in other words we can say that an increase in understanding of customer expectations increases customer satisfaction. (Gronroos, 1984). Customer's satisfaction is a mental state which results from the customer's comparison of expectations prior to a purchase with performance perceptions after a purchase. A customer may make such comparisons for each part of an offer called "domain-specific satisfaction" or for the offer in total called "global satisfaction". Such a kind of mental state which drives the perception of customers is the one which

shows how customer perception is important when trying to build a good relationship between services providers and customers.

Customer satisfaction is the key ingredient to the success of any business. This is the most important factor that creates loyal customers. Presently, organizations are attempting to obtain increased customer satisfaction by focusing on the quality of their products and the service provided. Satisfaction of customers cannot be met if at all the expectations of customers are not met. This is why it is necessary to study how expectations of customers affect the quality of services which in turn affect the level of satisfaction among customers.

## **1.2 Statement of the problem**

It has been seen that, in the competing world of business every organizations and even companies, always try to use different ways so as to penetrate in the market and absorb the market share as large as possible (Cooper, 2011). With that in their mind, one of the important criteria that they consider is the service quality, to be one of the basic tools that are considered in grappling with the prevailing business environment. Different customers evaluate the quality of the service that they receive from any service that they get with different criteria which are likely to differ in their importance. Usually some being more important than others, while there are several criteria that are important only a few seems to be more important. These determinant attributes are the ones that will define service quality from the customer's perspective (Loudon&Bitta, 1988). In the competitive market where the market has many choices, most of the customer expects performance quality to be given effectively, because the service quality is the critical reason for satisfaction.

As noted by Cornel (1984), that the service industry requires a broader definition of quality than one used in the manufacturing industry due to different reasons. Most of the organization proven to fail in the delivery of perceived service quality as required by the customer (Gronroos, 1990).

This has highly been a contribution to dissatisfaction to many customers, as it is well known that poor service offered to customers led to low commitment, dissatisfaction and disloyalty on service and this all results to the total failure of business performance (Parasuraman, 1990). Service quality is mostly considerable to be said as a crucial matter on promoting customer loyalty, with the relation to persistence strong competition in the market and customers have a great choice of movement from one service to another, each organization strives to provide better service than others so as to win customer loyalty, retain them and attract new ones before others and building a long relationship with them that it can also ensure positive business performance (Parasuraman, 1990).

The study carried out by Mwakihaba (2012) revealed that there were complaints among customers and a high level of dissatisfaction among customers due to poor quality of services provided. This shows that there is an existing relationship between service quality and satisfaction as well as loyalty of customers. Therefore this study focused on identifying the main determinants of service quality, thereafter making an analysis on how such determinants have an impact on customer satisfaction with respect to service providing organizations.

### **1.3 Research objectives**

This section describes the objectives for the study. The objectives are divided into two groups, the general objective and specific objectives.

#### **1.3.1 General objective**

The general objective of this study is to assess how customer satisfaction and expectations are affected by perceived service quality.

#### **1.3.2 Specific objectives**

The study aims at meeting the following objectives;

- i. To determine the role of empathy and assurance towards service quality
- ii. To assess how service tangibility and reliability affect service quality
- iii. To find out factors that influence customers expectation and perception on the service
- iv. To assess challenge that limits service provider to meet/exceed customer satisfaction

### **1.4 Research questions**

The study aims at answering the following questions;

- i. What are the roles of empathy towards customer satisfaction?
- ii. How does service tangibility affect customer satisfaction?
- iii. How does responsiveness influences customer satisfaction?
- iv. How reliability does affect customer satisfaction?
- v. What is the role of service assurance on customer satisfaction?

### **1.5 Significance of the study**

Since service quality has become a very important issue it is imperative for service provider to be well informed about its steps forward and the benefit that they can get from it therefore;

The study will inform and enable public sector, particularly at NMB bank Practice effective service quality in order to satisfy and attract their customers. To the academician and researcher, this research paper will add to knowledge bank of the university and consequently will give opportunity for contemporary and future students to consults for reference and further research to be conducted thereafter. Lastly, this research is of vital importance to the researcher since it is a requirement for an award of Master of Business Administration.

### **1.6 Scope of the study**

The research covered only one organization, which was NMB bank. The study was conducted at two different branches and it was carried out for the period of three months. The study aimed or focused on studying the impact of customer perception on service quality in relation with business performance. Data were collected from the staff within the organization and customers. The organization was suitable for carrying out the study because the researcher to get all appropriate and required information and its representativeness to many organizations in Tanzania.

### **1.7 Limitations of the study**

Banking systems due to changes in technology, most of the systems are being done online that is through internet or normal phones. This is because, emerging of technology has been bringing changes in the banking industry and thus raising the need to study all aspects of new banking technologies and how they are associated with service quality. Therefore, is recommended for upcoming researches to focus on the pending issues of new banking technology and how they are associated with satisfaction of customers.

Another challenge that emerged was limited access to sources of information especially respondents of the study. Customers in the organization were busy with services something which brought difficulties in intervening with services provision. And most of them were in hurry so it was not easy to give out their time to fill in

questionnaires after they receive the service. This was solved through waiting for those who already to give out their time and fill in questionnaires after they received services.

Also, there was delay in submission of questionnaires which were already attempted by respondent especially from the workers of the bank . The solution to this challenge was effective follow up to ensure that questionnaires are submitted on time.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is mainly dealing with study of literature and reviews it through the theoretical analysis, empirical analysis and conceptual framework of the study.

#### **2.2 Theoretical Review**

##### **2.2.1 Definition of Key Terms**

###### **2.2.1.1 Service**

Service are deed, process and performance represent wide range of intangible product offering that customer value and pay in the marketing place. Is a package of explicitly and implicitly benefit performed with a supporting facility and using facilitating goods (Sasser et al, 1978) Also, service can be said is the time perishable intangible experience performed for a customer acting in the role for co-producer (James, 1977).

Service can be defined as action of performance that one offer to another that is essentially intangible and does not result in the ownership of anything. Is the series of activity of intangible that are usually done and not necessarily in the interaction between customer and staff or physical resources or good supplier system for service but are provided as a solution to customer problem (Gronroos, 2000). Also, can be said as a benefit that one party offer to another which is essentially, intangible and does not result in the ownership of anything and it may or may not be tied to a physical product. In the globalized world service has become essential and crucial in business industry; every party of our life is seen in the service world (Kotler et al, 2000).

Service can be characterized in different ways as according to its nature in many ways including intangibility, inseparability, heterogeneity and perishability. Normally this is also what used to distinguish between service business and product business (Matear et al, 2000)

- i. Intangibility; service cannot be touched or viewed, so this makes its difficult on evaluation. to the customer it maybe be risky to purchase the service sometimes, the whole idea of service is basically elaborated with intangibility concept, being activities benefits or satisfaction which are offered for sale or provided in connection with sale of goods.
- ii. Inseparability; it is the reflection of simultaneous delivery and consumption of service and it is believed to enable consumer to affect or shape the performance and quality of service, this means that the service business provision includes also contact between the service provider and the clients that are receiving the service.
- iii. Perishability; the value of service it mostly exists at the point when it required and as soon as their used it expire that is to say cannot be stored for further use, in the service business we say that the service provided cannot be stored or kept for future use also it cannot be transferred.
- iv. Heterogeneity; it is reflection of potential for high variability in service delivery it offers degree of flexibility and customization of the service, more suggest that it can be into diced as benefit and point of differentiation service business involve people and people are different that create a possibility that same enquiry would be answered or served slightly differently because of the differences between people.

### **2.2.1.2 Quality**

It is the ability of the product or service to consistently meet or exceed customer requirements or expectation (Parasuraman, 1985). This is the totality of features and characteristic of the product or service that bears on its ability to satisfy stated or implemented needs.

Quality in service business is considered as a net value of benefit perceived in the service encounter over what had been expected (Klaus,1985) also quality can be said as an attitude held by customer on corresponding to global evaluation of service offer (Bolton,1991).

The amount of good quality is not usually basing on the opinions of the service provider but n most case is basically the matter of the views of the customers that is their perception. Quality is said to be as the customer needs and in the end is their perception, for the service benefits of the service quality is basically assessment of the customer needs and perception.

Quality is specification for service that comes from multiple simultaneous sources including a company and individual customer (Richard et al, 2003). Also, it can be defined as cognitive evaluation of service (Cronin and Taylor, 1992). The main purpose of quality is to measure a gap in the process of service delivery (Asubonteget et al, 1996).

### **2.2.1.3 Customer**

These are the user of output of the work that is the end user of the service or product, their categorized into two that is the internal customers' e.g.; employees and external customer e.g.; government, other business, public and others (Dei Tumi, 2005)

Customer are considered to be the most important external stakeholder for the operation of companies (Cooper, 2011).In the most case we tend to confuse between customer and consumer and use the two words interchangeably, but it is not

necessary for customer to be the consumer because consumer is strictly the person who uses the good or service for consumption purposes.

#### **2.2.1.4 Service Quality**

Service Quality is the conformance to specification (Crosby, 1979). Is the difference between what customer expect and what they receive (Zeithmal, et al 1990).

This is the extrinsically perceived attribution based on the customers experience about the service that the customer perceived through the service encounter (Parasuraman, Zeithamal and Berry, 1990).in most cases for the business to gain is creating and maintaining their service quality more than recreating from poor quality service, in the competitive advantage environments service quality can be a good tool for winning the business

It is focusing on meeting customer needs and requirements (Berry, 1988). Is the result of comparison that customer make between their expectation about service and their perception it also their perception of the way the service must be performed (Gronroos, 1996). Also, it is the extent to which a service meets customer needs and expectation (Asubonteg et al, 1996). The concept service should be in lighted on bases of customers point of view, because customer have different value and ground on assessing the service and the might have different perception on the same service and their perception constituted the outcome of the service (Edvardsson, 1996).

#### **2.2.1.5 Customer Perception**

It is individual attitude after they have received service (Reid&Bojanic, 2001) is the process of selecting, organizing and interpreting sensation into meaningfully (Kendall, 2003). Customer perception and satisfaction are closely linked together because the satisfaction of customer is the result of meeting their perception (Reichheid, 1996). The perceived quality of service can be said is the result of evaluation process which customer compare their perception and expected outcome (Lovelock&Wirtz, 2007).

Customer perception as the process of receiving, organizing and assigning meaning to information or stimuli detected by the customer's five senses and opinions that it gives meaning to the world that surrounds the customer. Perceptions are also described as the result of several observations by the customer. Customers perceive services in terms of quality of services provided and the satisfaction level attained. (Strydom, Jooste and Cat, 2008)

Satisfaction of customer is a linking of their perception of value in term of product quality, service quality and competitive price (Nauman&Giel, 1995). Customer perceives service both in term of quality of service and satisfaction, perception of customers are always related to their expectation and experiences (Zeithaml et al, 2006). Since customer perception are subjective, is one of the ways for the organization uses to create their strategies to ensure they derive satisfaction of the customers.

#### **2.2.1.6 Customer Expectations**

Expectation is a state of wanting a future good, promising or value of something expected their desires and wants formed based on previous experiences. Are desires or wants of consumer, what they feel a service provided should be (Parasuraman et al, 1988).it is focusing on revealing and calibrating increasing long term quality for developing customer relationship over time (Gronroos,2007). Expectation is mostly they key factor that derived the satisfaction because when customers have higher expectation of the service and in reality it fall shortly, their likely to be disappointed and rate it as not satisfying and it is also important for the firm to ask their customer whether their service or product satisfy them by meeting or exceeding their expectation.

The expectation of the customer has been identified as to be reforming along three different dimensions, which are the level fuzziness, implicitly and unrealism. Most of the writer shows that expectation of the customer at large is influenced on previous experience and the less knowledgeable customer, the expectation of customer are

always very hard to be identified especially when they are fuzzy and implicitly (Liedman, 2013) it is important to understand the dynamic of expectation in order to manage expectation into becoming achievable so as it can bring satisfaction to the customers, in other words expectation is the confidence before buying the service and it is used as a standard in assessing the performance of service, satisfaction is a function

### **2.2.1.7 Customer Satisfaction**

Satisfaction can be defined as the feeling or attitude a customer have after the use of product or service. is the result of comparison between customers expected performance with actual performance and payment expenses (Taghizahed, 2012). Also, Kotler 2000 defined satisfaction of customer as a feeling of either pleasure or disappointment that is resulted from comparing a product perceived performance in relation to expectation. satisfaction is the overall attitude that customer has towards a service provider or an emotional reaction to the difference between what customer anticipate and what they receive that will regard fulfillment of needs, goals and desires. Is an overall emotional response to an entire service experience for specific service encounter after purchasing consumption (Oliver, 1997). It is the comparing expectation from service with assessment of service provided (Zeithaml, 1996).it is said that satisfied customer equal to loyal customer because their likely to spread a word of mouth to others (Gibson, 2005).

Customer satisfaction according to Oliver is a fulfillment to the responses that is judgment that a product or service provides a pleasurable level of consumption related (Oliver,1997). Satisfaction of customer is the output from customer pre existing purchase comparison of the performance expected with perceived actual performance with comparison to the incurred cost, satisfaction involve the positive feelings and extra attention given by the customer after receiving a service from the provider (Suprenant et al,1992).the important part about satisfaction is the factor that the customer will use to evaluate before making repurchase decision whereas the

total purchase exceed or at least meet the expectation they had and build the loyalty's benefits of the customer satisfaction is that it stimulates the repurchase power and word of mouth branding.

### **2.2.2 Relationship between Customer Expectations, Perception and Satisfaction**

Customer satisfaction is the judgment of the product or service provided pleasurable consumption and related fulfillment, satisfaction is the discrepancy between expectation and perception (Oliver, 1997). Customer satisfaction is comparison between performance and expectation (Pizam and Ellis, 1999) so in order to create satisfaction of customer it is important first for the firm to identify the needs of the customer and then improve their performance after finding out which attribute are expected by the customer (Oliver, 1980). The interest in service quality is because the quality is crucial for any business to succeed and create customer satisfaction, so the little effect in service has affect direct and immediately to affect customer satisfaction and impact to business in general (Zeithmal and Bitner, 2003).

The main two concepts to be putted into consideration is expected service and perceived service, this are the main two ingredients to ensure superior service quality that will lead to consistency customer satisfaction and strengthen the customer loyalty and that can create best marketing strategy because satisfied customer spread word of mouth and bring more customers in the business.

### **2.2.3 Relationship between Service Quality and Customer satisfaction**

Oliver (1993) stated that during the past decades, in the marketing literature and marketing practices, the importance in the concept of service quality and service satisfaction has increased. Quality and satisfaction are indicators for corporate competitiveness and explores the benefit of marketing academics and practitioners. Generally, satisfaction is a broader concept, but service quality is considered as part of satisfaction, service quality represents perception of customer through the

SERVQUAL dimensions. Satisfaction involve not only the service quality but another factor (JeyedJavadin,2009).

The amount of good quality s not usually basing on their opinion of service provider, but most of time basic on the views of the customer that s their perception, quality can be said as customer needs in the end their perception for the service benefits of the service quality is basically assessment of the customer needs and perceptions. in the most cases for business to gain is creating and maintaining their service quality more than recreating from poor quality service, in the competitive advantages environment service quality can be good tool for winning the business. Main two concepts is to ensure expected service and perceived service this are the main ingredients to ensure superior service quality that will lead to consistency customer satisfaction and strength the customer loyalty and the can be a marketing strategy for spreading a word of the mouth.

The relationship and nature of these customer evaluations remains unclear though satisfaction and service quality comes from two big research paradigms; expectations and perceptions which are considered as key instruments. Zeithamal et al, (1993). Mention that in empirical studies quality and satisfactions are introduced as synonyms within the service business. He argued that high level of service quality leads to high level of customer satisfaction, so its essential service quality plays essential part in creating customer satisfaction (Ladhari, 2009).

#### **2.2.4 Service Quality Measurement**

Is the measurement of how well does the delivered service meet customer expectation is the identification of customer perception (Batson, 1995). For service assessment of quality is noted during the process of delivering the service as this is referred as the moment of truth where expectation meet reality and customer can be either satisfied or dissatisfied. When the expectation is not clearly meet the service, quality tend to dissatisfies customer and this is not acceptable situation, but when the service the service confirmed the expectation it bring satisfaction and that loyalty and

strong customer bases and in some cases when expectation exceed the expectation it is also shocking and surprising to the customers.

It was at first introduced by Lewis and Booms (1983). By simply imposing question to the customers about their expectation and perception of the service they receive from organization and how they satisfy them and their needs (Fisk et al, 1994).

Then the study of Gronroos (1984), titled the Total Perceived Service he put emphases that the customers are looking for what they evaluated, and he put service quality into two dimensions the Technical dimension and Functional dimension. Technical dimension or outcome quality, this is outcome of what is delivered to the customer or what customer get from the service, is the relative outcome of the service it answers the question of what customer gets, is what the customer receive. Functional dimension is the manner in which the service is delivered to the customer, how the service delivered in other words it combined the behavior of the service personnel the delivered speed and the staff competence, is the process of how service is delivered it is much concerning with the psychological interaction which occurs during exchange transaction in simple words it is the way customer get the service.

In the study of Schneider and White (2004) suggest that measurement of service quality in practical way should base on Perception-Expectation measurement SERVEPERF proposed this as with this it put emphasis on what need are to be improved and see the opportunity in improving the service quality.

In his bases SERVQUAL it has two basis components on its consideration that is; customer expectation and customer perception, this is because service is offered in variation considering the provider and the amount of variation that customer can tolerate. The gap between what is thought to be adequate service and desired service is known as the zone of tolerance in the SERVQUAL dimension the desired service level of service is much lower and the zone of tolerance is broader.

Parasuraman in his research 1988 in measurement of service quality he studied well the service quality dimension as the measure of customer perception on service quality he defined the SERVQUAL modal as the main aim of it was to measure the gap between customer expectation and perception in this research he put the measure of service quality in five main dimensions that are; reliability, tangibility, responsiveness, assurance and empathy.

- i. Reliability; is the ability to perform the promised service dependably and accurately, most firm performs service right in the first place to honor its promise, accuracy in billing and performing in designated time. It is the ability of service to be provided in the same way as promised, can be said as a factor for user to trust quality
- ii. Tangibility; this is a physical facilities, equipment and appearance of personnel, tools used in providing service and physical presentation of the service that can be observed by the sense of human mind.
- iii. Assurance; is the knowledge and courtesy of employees and their ability to convey trust and confidentiality meaning having the right skill and knowledge to perform service, courtesy means politeness, friendliness, truth worth, credibility and honest to employee, service provider familiarity with service that they deliver trust to customers.
- iv. Responsiveness; this is the willingness to help customer and provide prompt service it involves timeless service, in other words can be named as availability and provision of service sharply at exact needed time.
- v. Empathy; it means caring attention provided to customer, involve the approachability and ease of contact with service provide and good understanding of customers 'needs, understanding and individualizing response while taking interest and personal care.

From the dimensions it shows that performance of employees is closely related to the satisfaction of the given criteria, that is to say there is dependence between perception of customer in service quality and the contacted personnel. From the

dimension also we can say the evaluation of service performance is on the basis of expectancy disconfirmation paradigm (Parasuraman et al, 1988).

The SERVQUAL dimension approach will be used as to analyze customer perception and expectation in this study

### **2.3 Empirical Review**

According to Mwakihaba (2012) on his study titled investigation of customer perception on service quality in financial institutions case study being CRDB BANK, the objective of this study was to find out factors which facilitates good perception to the customers, also analyzing if the employees provide the quality service effectively and accurately. The findings of the study found out that in the rural areas' customers are not well reached because of the few branches and most of them being located at the urban areas and despite of different efforts that are made by the management still customer spend more time in long queues, and this bring out complains and dissatisfaction. Also, there is a need to improve infrastructures so as the disabled people will be able to use the service also. This is like this study in the manner that expectation and satisfaction of customers is affected by factors such as tangibility.

Schneider and Bowen (1985) in their study they show that there is a positive relationship between service quality and customer satisfaction. The study explains that customer satisfaction has a relation with not only the attitude of the employees but also the overall organization and its effectiveness on the value and attitudes. This is like this study as it is shown that responsiveness and sympathy of employees in terms of their attitude towards customers also affects the overall perception of customers on service quality.

Also, Reichheld (1996) on the study that he conducted he came out with the findings that there is a positive relationship between good service quality and customer satisfaction. Also, it was revealed that the satisfied customers ensure to bring in more customers because of the word of mouth they spread to other customers. They act as

ambassadors to convince other customers and so it is necessary to improve service quality for better business performance. The findings are not similar to this study simply because it has been revealed that satisfaction of customers at NMB depends on good service quality dimensions such as empathy, responsiveness, reliability, tangibles and assurance.

Bahia& Nantel (2000) conducted research on Bank service quality and they proposed that in the banking service perceived service quality resulted on the gap between expectation and actual service delivered. On their study they argued that the five dimensions of SERVQUAL scale only cannot be enough measure the service in the bank. They added more attributes including effectiveness, access, price, service portfolio, and suggest that they imply consistently and anticipating satisfying needs and expectance of the customer and concluding that service quality is determined by customer perception and should encompass fulfilling expectations. The dimensions presented by Bahia and Nantel are not like dimensions presented in this study which are empathy, responsiveness, reliability, tangibles and assurance.

On the study conducted at restaurant Oishi Express Buffet by Tiyasuwan (2009) on the research he found out that the use of the five dimension of the SERVQUAL dimension that are reliability, assurance, tangible, empathy and responsiveness to measure the customer expectation and perception on service quality is one of the important factor that will ensure customer satisfaction. Also, the study shows that most of the service performance failed because they fail to meet effectively the five dimensions. This is like the study conducted at NMB as it has been revealed that dimensions such as empathy, responsiveness, reliability, tangibles and assurance.

Lassar et al, 2000 also on his study he mentioned that although the SERVQUAL modal is important for evaluation of quality in the banking service, but he also proposed the two dimensions that is the Functional dimension and Technical dimension to be included on understanding and measurement of the banking service.

Mgongolwa (2012) on his study titled assessing customer Perception towards service quality conducted at CRDB bank in Morogoro, in the study he uses the service quality modal with the total sample size of 70 people both employee and customer of CRDB using different sampling techniques. From the study come out with the result that customer needs a quickly and nice treatment from the employer and they always want their safety and security to be assured in their service. Also, all the five dimension of service quality are important and valuable on ensuring satisfaction of customer. The study comes out with the recommendation that the management and staffs of CRDB should improve the tangible such as buildings, employees' appearance, furniture etc. To retain their customers, also the management should increase number of employees to ensure all the tellers windows are working effectively and with high security full time, also the ATM service should be more sufficient and reliable. This is like the study at NMB as dimensions such as empathy, responsiveness, reliability, tangibles and assurance have been said to affect expectation and satisfaction of customers.

In his research about Private, Public and Foreign bank in India, Sureshchandar et al, 2003 he found out that in the banking service customer perception are affected by the technological aspect in the service delivery. In most banking technological aspect is considered to be the core attribute and the customer choice of the bank is affected by systematization and technological factor, he put the five dimensions of SERVQUAL as the human factor and social responsibility. The difference between these findings and the study carried out at NMB is that the dimensions provide by Sureschandar et al are more based on technological aspects.

Mwandosya (2013) she writes about assessment of customer perception and expectation of service quality with the case study of Azania commercial bank. She has a total sample size of 45 people and data was collected through questionnaires. From the findings she come out with the suggestion that the service business is a currently rapidly growing business in the currently years and with other things is facing different challenges.

In the study she suggested that the four-service quality dimension that are assurance, tangible, empathy and responsiveness are the main influence of customer satisfaction in the service business. She arranges that assurance is in the highest level followed by empathy and then responsiveness and tangibility all of this have great influences on business. This is different from the study carried out at NMB as it has been revealed that the leading dimension is tangibility.

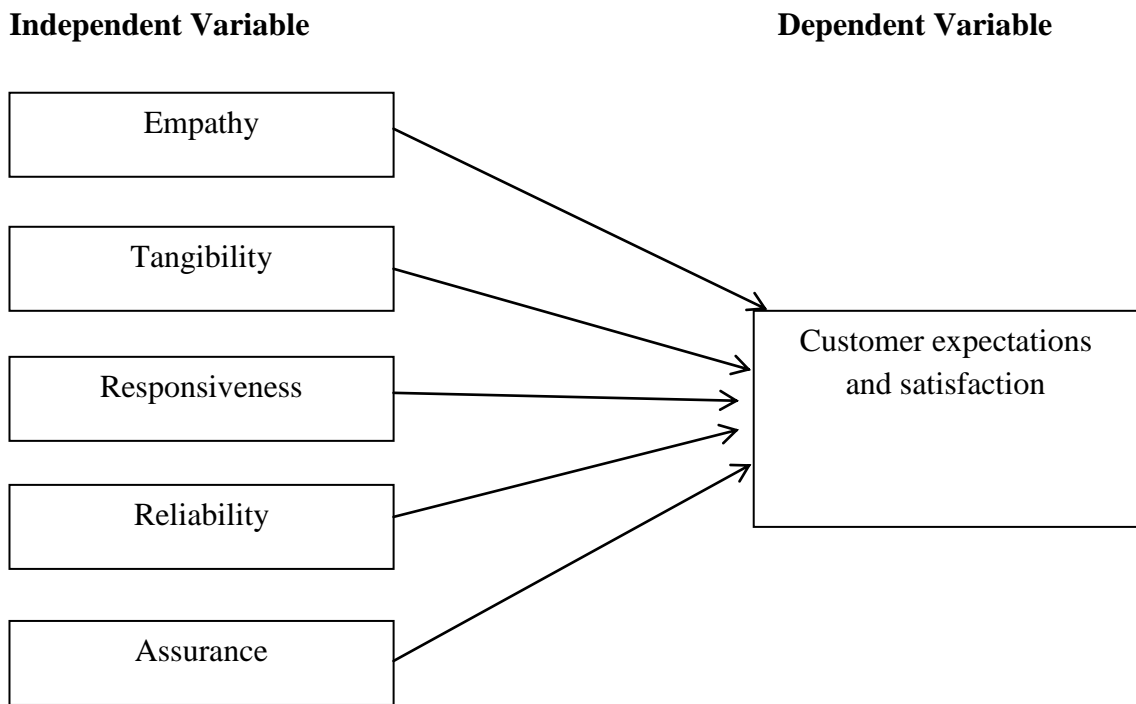
#### **2.4 Research Gap**

From different studies above, it shows that service quality is a multiple dimensional and expectation of customers differs, and their perception are not certain. However, it is observed from the study that there is still a gap of knowledge between service quality in relation to customer perception and expectation. So, this study will add knowledge concerning the service quality and its connection to the customer expectation and how this can be used to satisfied or exceed the perception of the customer.

#### **2.5 Conceptual Framework**

Its derived from the study of Parasuram et al 1988, where he suggested the five dimensions of service quality as variable that influence customer satisfaction. The model here takes the five dimensions; reliability, assurance, tangibility and empathy as the influence of satisfaction of customer.

**Figure 2.1 Conceptual Framework**



**Source:** Researcher 2019

From the figure above, it shows that the service quality dimensions that is empathy, tangibility, responsiveness, reliability and assurance. Their independent variable because they don't change in the service provision, this are the measure to ensure the service is well provided because. Customer consider this on measuring how well they want the service to be provided to them, despite of the difference of expectation among customer but they all look up this so as to ensure the service that they want to have the quality they want. Also, the satisfaction of customers differs but satisfaction depends on how well the service quality is provided meeting one customer expectation on them.

Expectation and satisfaction of the customer are the dependent variable because they're not certain. They differ from one customer to another and also, they change in time and needs of the customers. The satisfaction of customer depends on how

well perceive the provision of the service quality dimension from the service received and this depends on one customer expectation and perception. From all of this we can conclude by saying the expectation and satisfaction of the customer are dependent because they change according to time and differ from customer to another while service quality dimension is independent because their the constant factors to meet the expectation and perception of the customers.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Research methodology is a systematic way of solving the research (Kothari, 2004). This chapter consists of research design, study area, population study and sampling techniques and data collection.

#### **3.1 Study Area**

The study was conducted in Dares Salam region as it is the area with high number of branches and many customers also so it can be used to represent other branches of NMB all over the country. The study covered most especially two branches that are Mlimani City branch and University of Dar es salaam branch.

#### **3.2 Research Design**

Research design is the guiding process in the research on which it involves collection and analysis of data to reach effective and efficiently conclusions (Rwegashora, 2006). Kothari (2004) defines it as conceptual structure within which research is conducted. The study was case study design, to get deep and clear information on the matter regarding the service quality. The study used the case study, this is the research which involves empirical investigation of contemporary phenomenon within its real-life context using multiple source of evidence (Robson, 2002)

#### **3.3 Study Population**

Population is a group of individuals who have one or more character in common (Best&Khan, 1998). The population in this study was employees and customers of NMB in the two branches. This is because both parties are important in providing the

information needed from like customer expectations to the perception of the service that is provided to them and from the practice of the service provided.

### **3.4 Sample Size**

Sample size is the number of items to be selected from the universal to constitute the sample (Kothari, 2004). In the study, the sample is drawn from employees and customers of NMB, making a total sample size being 160 where from the sample, from this number 140 are customer and 20 are the employees from the bank. The sample that is drawn considering the budget of the researcher and the number expected to provide efficiency and enough information.

### **3.5 Sampling Techniques**

Sampling techniques are the techniques employed in selecting population in the study. Sampling itself is a process of selecting from a large population a small population with the aim of determining characteristics suitable for one purpose (Anderson, 1987). The sampling techniques for this study are described in the sections that follow below.

#### **3.5.1 Simple Random Sampling**

Simple random sampling is also known as the chance sampling. It is a sampling method whereby each item in the population stands an equal chance of inclusions in the sample (Kothari, 2004). The researcher opted for this technique because it constitutes the equal chances to the entire sample and free from all the biasness, therefore it gives reliable and accurate data.

In selecting samples to be studied, the researcher selected, with their consent, random customers of the case study organization, which is NMB Bank with the purpose of collecting relevant information from them.

### **3.5.2 Purposive Sampling**

Purposive sampling is the sampling whereby, the choosing of the respondents will be mainly considering the researchers perspective and judgment (Cooper, 2003). In selecting samples to be studied on the study here, purposive sampling used to select the sample from NMB staffs. The sample chosen basically considering the staff who deal with customers on daily bases, because the can provide needed information in the studies.

### **3.6 Data Collection Procedures**

The proposed study use both, the primary and secondary data. The following segments explain each category.

#### **3.6.1 Primary Data**

Primary data refers to the first-hand information collected fresh from the field through various methods that includes questionnaires, observation, interviews (Kothari, 2004). Under this study the researcher chooses to use the questionnaires and observation.

##### **3.6.1.1 Observation**

Observation is a systematic recording, description, analysis and interpretation of the people behavior. Is the systematic planned and recorded and is subjected to check and control on validity and reliability (Kothari, 2004) the main advantage of this method is that it is free from business and can provide the accurate and filtered information with the current events that are happening. Observation is the method which enable the researcher to obtain data from its direct source, the main benefit here is that data is obtain original from the source and researcher take exactly what she wants from the source without individual say, think or do anything to alter the information (Peil,1995).

For proposed study, observation here was through the non-participatory observation, to both customers and the service providers. The data obtain here are verified through the questionnaires to clearly analyze the level of satisfaction of the customers. The issues observed included the general environment of the organization which would affect the tangibility of services. Also, observing place on how services were provided especially by observing how service providers were responsive to customers.

### **3.6.1.2 Questionnaires**

Questionnaires are documents comprising of a list of questions written in a defined order on a form or set of forms, they can either be structured or unstructured (Kothari, 2004). It is the mostly preferred method because the respondents are assured with high level of confidentiality, so it gives them more freedom in providing the information needed. Also, it has a wide coverage of the respondents within a short time. The researcher in here use both the closed end and open-end questionnaires.

Closed end questionnaires are the questionnaires which do not require the respondents to express themselves further. Example of the questions includes gender or questions which need 'yes' or 'no' as answers. Open ended questionnaires on the other hand are the questionnaire which requires the respondent to briefly provide a description on their answers and provide a wider area for the respondent to give out their explanation. Questionnaires here help to get information from customers of NMB who were selected randomly.

### **3.6.2 Secondary Data**

Secondary data is described as fact and figures that have already been recorded in other projects (Gercowitz, 1994).Also Kothari 1994 defines secondary data as data which has been collected by someone else and have already pass through statistical

process, it is appropriate to use the secondary data so as to compliment the primary data. Here secondary data depend on document review

### **3.6.2.1 Documentary Review**

Various documents were reviewed by the researcher to gain information to enrich more knowledge to the primary data collected. Various documents were reviewed in the study including other research report that have been already published, articles, journals and internal documents available in the bank which tries to explain the customer satisfaction.

### **3.7 Data Analysis Techniques**

Bodgad and Bicklen (1992) define data analysis as a systematic process of working with data which involved describing, organizing, summarizing and comparing as well as dividing the collected data into small and manageable portion.

The researcher proposes the use of multiple regression analysis in order to determine exactly how each factor in the proposed conceptual model contributes to the variations in customer satisfaction levels and expectations. Here is the formula to be used:

$$Y = b_0 + b_1X_1 + b_2X_2 \dots + b_nX_n$$

Where:

Y = independent variable

$X_1$  to  $X_n$  are predictors (independent variables)

$b_1$  to  $b_n$  are the estimated regression coefficients

### **3.8 Multiple Regression Formula for Measuring Objectives**

The dependent variable in this study is Customer Satisfaction ( $Y$ ), whereby the independent variables are empathy ( $X_1$ ), tangibility ( $X_2$ ), responsiveness ( $X_3$ ), Service Reliability ( $X_4$ ), and Service Assurance ( $X_5$ ). The multiple regression formula therefore based on the data will be used to calculate the significance of each independent variable and the direction (regression coefficients) of their relationship with the dependent variable therefore satisfying objective 1 to objective 5.

### **3.9 Ethical Considerations**

Researcher considered different ethical aspects in due course while conducting the research process.

- i. Firstly, the introductory letter to the management to inform them on the research that is going to be conducted and get formal request on doing data collection from the offices.
- ii. To the clients also ensure anonymity of the client to ensure confidentiality is properly observed to the information provided.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.0 Introduction**

This chapter is mainly basing on the analysis of data and presentation of the findings as well as its discussion. The study aimed at effect of customer expectation and perception towards service quality. The study was based on four objectives that are identifying the role of empathy and assurance, assessment of how service tangibility and reliability affect service quality, to find out factors that influencing customer expectation and perception on service and assessment of challenges that limits service providers to meet or exceed customer satisfaction.

Questionnaires that were distributed are 140 and the returned questionnaires are 121.the questionnaires were distributed to only customers of NMB in both two branches.

#### **4.1 Respondent demographic profile**

##### **4.1.1 Gender Group**

From the findings here 38.8% are female while 61.2% are (table 1.1) so we can say here the opinions and views are from both genders are well represented by the chosen sample. This indicates that male respondents are more than female, so majority of the answers provided are from the male and because there is the customer who were willing to provide information when approached by the researcher.

Further these data are consistence with Crowley (2005) who argued that one who are more in number than the other in terms of gender are favored by the existing environment and nature of work thus it can be said that the nature.

**Table 4.1: -Respondents Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	74	61.2
Female	47	38.8
<b>Total</b>	<b>121</b>	<b>100.0</b>

**Source:** Filed data (2019)

#### **4.1.2 Age Group**

From the findings it shows that 9.9% of respondent belong to the 16-25 age group, 34.7% of the respondent belongs to 26-34 age group, and 19.8% of the respondent belong to 35-43 age group while 35.5% of the respondent belong to 44 and above age group (table1.2)

From this group the large number of the respondent belong to the maturity age group (from 16yrs to 34) which can either include workers, entrepreneurs and college students. As the world is highly influenced with teenagers' activities thus this group believed to be the best users of various bank activities o they use the bank service so frequent. Thus, for the purpose of this study they believed to be the best participants.

**Table 4.2: - Respondents Age group**

<b>Age group</b>	<b>Frequency</b>	<b>Percent</b>
16-25	12	9.9
26-34	42	34.7
35-43	24	19.8
44 and above	43	35.5
<b>Total</b>	<b>121</b>	<b>100.0</b>

**Source:** Filed data (2019)

#### **4.1.3 Educational Level**

The findings revealed that 5.8% of the respondents are the secondary level and 94.2% of the respondents are the university level. This indicates that most of the bank service users are highly educated and knows well things which enhance their satisfaction level.

**Table 4.3: - Respondents Education level**

<b>Education level</b>	<b>Frequency</b>	<b>Percent</b>
Secondary	7	5.8
University	114	94.2
<b>Total</b>	<b>121</b>	<b>100.0</b>

**Source:** Field data (2019)

#### **4.1.4 Experience with Nmb Bank**

From the findings it shows that 3.3% of the respondent are very long customer more than 7 years, 31.4% of the respondent are quite long enough time that is between 3-5 years while 65.3% of the customer are the recently customer that have less than 2 years (table). From this findings we can see that most of the customers are new users of the services and user with at least some experience, this was good for the researcher because the respondent had expectation and how the actual service on the reality.

**Table 4.4: - Nmb Bank Service Experience**

	<b>Frequency</b>	<b>Percent</b>
Frequently user	4	3.3
Normal user	38	31.4
Recently user	79	65.3
<b>Total</b>	<b>121</b>	<b>100.0</b>

**Source:** Filed data (2019)

#### **4.1.5 Service Access**

The result from the findings shows that 0.8% of the respondent uses the bank service rarely that is once in three months, 3.3% of the respondent uses the service in few times at least twice in a month, and 95.5% of the respondent uses the service quite often once in every two weeks. From the respondent here it shows that most of the customer are the frequently use of the services that are provided by the NMB, so basically the information that they provide are the representation of the majority.

**Table 4.5: - Nmb Service Access**

<b>Service usage</b>	<b>Frequency</b>	<b>Percent</b>
Rarely	1	.8
A few times	4	3.3
Quite often	116	95.9
<b>Total</b>	<b>121</b>	<b>100.0</b>

**Source:** Filed data (2019)

## **4.2 Regression Results**

This analysis tells how much the variance in the dependent variable (Satisfaction) is explained by the model consists of five predictor variables.

### **4.2.1 Model Summary**

**Table 4.6 Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.953	.908	.904	.193

a. Predictors: (Constant), Assurance, Empathy, Responsiveness, Reliability, Tangibility

b. Dependent Variable: Satisfaction

The findings show that the five independent variables were effective in predicting Customer satisfaction in Service Provided by NMB. This entails that the effectiveness of the independent variables in predicting customer's satisfaction could/could not happened by chance. The greatness of the present relationship between satisfaction and the combination of five independent variables is revealed in the value of coefficient of multiple regression ( $R= 0.953$ ) and R square ( $R^2 = 0.908$ ) this implies that about 90.8% of the total variance of customers satisfaction is explained by the independent variables used in the model, it depicts that only 9.2% of the variance of customer's satisfaction can be explained by another factors which were not included in the model.

#### 4.2.2 Prediction of predictor Variables to Dependent Variable

**Table 4.7: - Relative Contribution of the Predictor variables on Dependent Variable**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.043	.109		-.398	.691
Empathy	.336	.020	.496	17.072	.000
Tangibility	.352	.027	.479	13.243	.000
Responsiveness	.270	.018	.448	14.628	.000
Reliability	.045	.032	.051	1.407	.162
Assurance	.002	.021	.003	.106	.916

*Source:* Filed data (2019)

From the findings

##### 4.2.2.1 The role of Empathy, Responsiveness and Assurance towards service quality as presented in the multiple regression output in (Table number 7)

The Variable Empathy observed to have the sig value of .000 which is less than 0.05 this signifies that the variable makes unique significant contribution on predicting the dependent variable, Further the Standardized Coefficient's Bet ( $\beta$ ) value .496 which is greater than the value of all other independent variables this entails that variable empathy makes a strongest unique contribution in explaining the existing dependent variable. The obtained findings relate with Grönroos (2007) who stated that Empathy as the most crucial dimension of service quality as for him Empathy include factors such as individual's attention, If the company has the best of the customer at their heart and its employees understands well the needs of the customers and meet such needs well. This dimension is highly connected to f then the dimension is clearly connected with functional quality.

The results entail that Employees Responsiveness has significant contribution in predicting customer's satisfaction as it has the sig value of .000 which is less than 0.05. And the Beta ( $\beta$ ) value of .448 hence makes the unique contribution on

explaining the dependent variable also. This was also explained by. Zeihaml.et al (1988) stated that Responsiveness is one of the important dimensions as it involves readiness to help customers provide and provide early services. Thus, Employees responsiveness is highly important dimension of service quality in any organization as the findings provides.

Lastly, variable Assurance which observed to have the sig value of .916 which is greater than 0.05 this indicated that the variable this also indicates that the variable does not make unique significant contribution in predicting customers satisfaction, further its Standard Coefficient's Beta ( $\beta$ ) value of .003 which is very lower than the value of all Variables used in the model this indicates that variable assurance have very little contribution in explaining the dependent variable. This is contrary with cook (2000) who propounded that assurance is one of the most important factors of service quality, as most of the customers wants to deal with people who they can trust most. They highly expected the behavior of the employees of an excellent service as for them the attitude, emotions and behaviors of service providers affects the service experience in both ways hence positive and negative way.

#### **4.2.2.2 The effects of Service tangibility and reliability on service quality as indicated in the multiple regression output.**

Variable Reliability observed to have the sig value of .162 which is higher than 0.05 this signify that the variable does not make unique significant contribution on predicting the dependent variable. Further the observed standardized Coefficient's Beta ( $\beta$ ) value of .051 which was slightly lower, this indicates less contribution in explaining the dependent variable. The findings presented above differ with the study done by Min and Min (1997) who reported that services have the attributes which are considered to be most important. As for him reliability is the ability of solving problems encountered by the customers. Is about the manner in which the service is delivered and therefore it is connected to the functional quality.

Furthermore, the predictor Variable Tangibility has the sig value of .000 which is less than 0.05 this entails that the variable makes significant contribution on predicting the dependent variable, Moreover the obtained standardized Coefficient's Beta ( $\beta$ ) value of .479 depicts that tangibility makes unique contribution in explaining the dependent variable. Tangibility is the dimension which has highest customers' expectations level, tangibles includes those things that a customer can see or touch. This thing includes the physical facilities, furniture, equipment, cleanliness, and point of purchase and also the appearance of the service providers (Kurt and Clow, 1998). In the current developing world customers tends to expect much for an excellent organization to have modern equipment. Hence the findings from the respondents who are served by NMB also indicates that Tangibles are the most crucial asset of any well performing organization and to them tends to have impact on their level of satisfaction.

#### **4.3 Factors that influence customers' expectations and perception on service quality**

Here the customers were asked to identify the possible factors that may influence service quality towards customer satisfaction. Five factors were highly mentioned by the respondents as to be the key influences of satisfactions. The mentioned factors include; - empathy, tangibles, Employees responsiveness, reliability and assurance.

The findings provided by the respondents revealed that majority of the respondents 30 (25%) said that Responsiveness was the main factor that influences service quality toward customer satisfaction. Assurance was supported by 29 respondents which make 24%, While 22 (18%) suggested that empathy to be possible factor that may influence service quality. Moreover, 20(16.5%) respondents agreed that reliability have possible influence on service quality while the remaining 20 respondents believed on tangibles to be the essential part of service quality towards satisfaction.

This finding provides that most of the customers at Nmb Bank were more satisfied with the service when the service providers can resolve the problems encountered by the customers, Presence of well-organized facility, proper system of serving the customers, well secured service provision area and caring service providers. One of the respondents mentioned that customers have different expectations, this is based on the knowledge they have regarding the service offered by the organization. This can be implied that customer my estimate what the service performance will be or may think what the performance ought to be, If the service provided meet or exceed customers expectation, the served customer will believed to be highly satisfied on the other hand customers tend to be dissatisfied if the service provided is less than what they have expected.

**Table 4.8: - Factors Identified by the customers**

<b>Factors</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Empathy	20	16.5
Responsiveness	22	18
Reliability	20	16.5
Tangibles	30	25
Assurance	29	24.0
<b>TOTAL</b>	<b>121</b>	<b>100</b>

*Source:* Field data (2019)

The findings above relates with the study done by Min in 1997, which introduced the possibility that service have the traits which are viewed as most important, especially in forming particular information of service quality; Tangibility (how well the bank staff are dressed); reliability (capacity to determine issues experienced by clients); responsiveness (accommodation of reserving the spot, instantaneousness of registration/checkout process); assurance (security and wellbeing of clients); and empathy (minding and individualized consideration).

Moreover, In the Mauritian banks (Juwaheer& Ross, 2003) assurance factors and security and safety of customers determined by reliability factor such as bank performance task that have been promised to customers on resolving problem encountered and relaying on this factors on focusing to solve customer problems

have been shown to achieve high level of satisfaction and increase profit to the business.

#### **4.4. Challenges that limits the service providers to meet customers' expectations**

The objective was prepared in order to come up with the difficulties arising which make it difficult for services providers to meet the expectations of customers. Services providers at NMB responded to the question by giving out the challenges which hinder attainment of customer expectations. Below are the major challenges provided by respondents of the study which hinder attainment of customers' expectations.

##### **4.4.1 Dynamism of expectations**

This was one among the challenges provided by service providers which hinder attainment of expectations of customers who use NMB services. As per the views of services providers, even though the bank has its targeted customers who sometimes share similar characteristics, still there are other times when customers do have varied desires that they take into account when using services of the bank. Due to this variation in expectations from time to time, it becomes difficult for services providers to meet these expectations at one time. Changes in expectations from time to time make it difficult to understand what customers expect currently and what they might expect in the coming period.

##### **4.4.2 Difficulties in reaching out all customers**

This was also another challenge provided by service providers of NMB which hinder the ability of services providers to meet the expectations of customers. This happens due to difficulties arising when sharing information between the bank and customers. The bank relies on campaigns through media, radios, televisions, phones, emails, social media and even face to face campaign which aim at bringing customers near and be able to determine their expectations. However, this does not work out for customers who lack access to any of the mechanisms used by the bank and thus

making it difficult for the bank to access information of such customers. Failing to reach them on time makes it difficult to determine what they expect from services provided by the bank and thus acting as a challenge which hinder attainment of customer expectations.

#### **4.4.3 Poor teamwork among services providers**

Furthermore, poor teamwork was provided as among the challenges which hinder attainment of customers' expectations at NMB. This happens especially when one customer is transferred from one service provider to another service provider. It may happen that the customer was served perfectly well during by the first provider, but when his/her issue is transferred to another service provider, the customer gets disappointment with the service. This makes it difficult for overall attainment of expectations of such customers due to variation in treatments from services providers.

#### **4.4.4 Limited trainings to staff**

Also, another provided challenge which hinders attainment of customer expectations at NMB is inadequate trainings provided to services providers. It is obvious that training staff in customer care and sales increase the level of skills among staff in managing customers and be in line with the needs of customers. Absence of enough trainings to staff at NMB has been hindering effectiveness in responding to customer needs in the bank. Staff whose skills have not been updated fail to access new mechanisms for serving customers and also reduce their ability to access customers' information. This at the end makes them fail to provide services in response to what customers demand.

## **CHAPTER FIVE**

### **DISCUSSION OF THE FINDINGS**

#### **5.0 Introduction**

This study was set to assess how customer satisfaction and expectations are affected by organization's perceived service quality. The study had five measure destinations which includes specific objectives

#### **5.1 Major Findings**

Findings on Objectives which explored the possible factors that may influence service quality towards customer satisfaction. The discussion of major findings is based on the findings obtained from each objective and it is as follows;

#### **5.2 The role of Empathy, Responsiveness and Assurance towards service quality**

The findings from this objective reveal that empathy, responsiveness and assurance have great contribution towards attainment of customers' expectations and overall services quality. For the case of empathy, it is revealed that whenever the organization has the best of its customers at its heart and employees have greater understanding of the needs of customers, it will be easy for the needs of customer to be met. Meeting the demands of the customers is among the indicators of improvement in quality of services. This shows that when services providers fail to understand the needs of its customers then there will be no room for attainment of such needs. Also, it is revealed that responsiveness has contribution towards quality of services provided by the bank. This is because, when services providers quickly respond to the needs of customers then there will be greater probability of attaining customer needs and their expectations. This will prove that there is improvement in quality of services provided. Failing to respond to the needs of customers on time

affects the quality of services negatively. This is because the organization will not be in position to meet the expectations of its customers.

Lastly, in case of assurance, it is revealed that the variable has no significant contribution in predicting customers' satisfaction. This means that there is no positive relationship between assurance from services providers and satisfaction of customers who use services provided by NMB. The contribution of the variable in predicting the satisfaction of customers is very low as compared to other variables. It becomes difficult to not only predict the satisfaction of customers but also to rely on the variable in measuring the quality of services provided in the organization. This is different to the study which was carried out by Cook (200) whose study revealed that assurance had greater contribution towards quality of services.

### **5.3 The effects of Service tangibility and reliability on service quality**

The objective was prepared with the purpose of determining the influence of service tangibility and reliability on service quality. By beginning with service reliability, the findings show that the variable does not influence the quality of services. This means that whenever the organization makes its services reliable or not, there will be no any influence on the quality of services provided by the organization. This entails that there are other factors which have greater influence on the quality of service as compared to the influence of reliability. These findings contradict with the findings which were presented in the study by Min and Min (1997). Their study came up with the suggestion that reliability is concerned with the manner in which services are delivered and thus affecting its quality.

In case of service tangibility, the findings reveal that tangibility has significant contribution towards services quality. This is to mean that the quality of services offered within the organization is determined by perception of customers on tangible material of the organization. These include physical facilities, equipment, personnel and communication materials. When these materials attract customers and being perceived positively then the quality of services will be perceived to be high.

If these tangible materials are perceived negatively by customers then the quality of services will be perceived to be poor. The implication of this is that NMB can ensure improvement in quality of services and meet satisfaction of customers by ensuring that service tangibility is improved.

#### **5.4 Factors that influence customers' expectations and perception on service quality**

The findings from this objective reveal that the major factors which influence customers' expectations and perception on service quality are; tangibility, reliability, responsiveness, assurance, and empathy. The results from NMB Mlimani city Customers revealed that Empathy, Tangibility and Responsiveness have highest impact and contribution on customer's level of satisfaction as indicated in the model. The tangibility dimension includes physical aspects such as the physical appearance of bank services including the neatness of front office staff and professionalism of employees (Dabholkar et al, 1996). The responsiveness dimension involves willingness to help customers and provide prompt services (Zeithaml et al., 1990). It is essential that front office staff were willing and able to help customers provide prompt service and meet customers' expectation and Empathy dimension is about simple access, great correspondence and understanding the client.

This situation indicates that most of NMB customers tend to be highly satisfied with the existing tangibles, Employees empathy and responsiveness when they are serving them, to them the organization which has employees with Good communication skills and understands well the customers' needs provide best service than other organization, Also presence of well responded employees and service providers who gives prompt service, presence employees who are willing to help the customers and that the employees who are never busy to respond to requests from customers, Thus the more the organization enhances the three dimensions when serving its customers the more the customers level of satisfaction is enhanced , therefore the dimensions are very crucial and suitable to the NMB customers as they increase their level of

satisfaction help them to meet their needs. Through this they rank NMB as one of the organizations which provides quality service.

Moreover, the findings show that two service quality dimensions which are Reliability and Assurance have slightly less contribution and they can be said to have less impact on NMB's Customer satisfactions as for them it might not be highly very crucial to meet their satisfaction. As presented in the regression model in Chapter four. These findings are very contrary with other literatures as explained by Dabholkar et al., (1996) that Reliability refers to the ability of the front office bank staff to provide service accurately. Hence reliable service is required to be accomplished on time, in the same manner and without any errors. In addition the issue of assurance is also important when serving any customers as indicated by Kalindenbery et al., (1998) is developing operational control to ensure that the result match the desired outcome, to gain customer confidence and eliminating all their defects so as to make sure the requirements are well met to meet the satisfaction.

However, the findings show different but most of literatures indicates that assurance and reliability are the most important dimension of quality service, because service is judged by checking the overall performance of the service provider focusing on how they meet different customer expectations and their dynamic and variation from person to person.

This means developing operational control has the ability to perform the promised service dependably and accurately with courtesy of employees and their ability to convey trust and confidence so as to meet outcome, problem resolution and core service attributes. (Zeithaml,2000).

### **5.5 Challenges that limits service providers to meet customer's satisfaction**

The findings from this objective reveal that NMB still faces difficulties in attaining the expectations and needs of all its customers. Services providers still face challenges which hinder them from providing customer with expected services. One of the challenges that hinder attainment of customer expectations is dynamic state of

expectations. This is due to the factor that the expectations of customers change from time to time and thus making it difficult for services providers to copy with the changes in demands of customers. Also, another challenge is difficulties in meeting all customers which is brought by absence of enough customers' information. Failing to extract information of all customers make the bank fail to offer each customer with his/her desired services. Another challenge is poor teamwork support in the bank among services providers something which leads to differences in treatment of customers. Services providers fail to have mutual relationship which would be helpful in ensuring that customers are served in a positive manner by all services providers. The other challenge is inadequate trainings among staff something which make them lack enough skills to improve quality of services and meet the expectations of customers. Thee challenges show that the quality of services offered at NMB is still below the expected standards especially considering that one of the determinants of quality services is meeting expectations of customers.

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATION**

#### **6.0 Introduction**

This chapter is presenting the summary of the study findings, conclusion remarks and give out recommendation regarding the findings and also suggest the area for further studies.

#### **6.1 Conclusion**

The study aimed at assessing the effect of customer expectation and perception towards the service quality, using the two branches of NMB bank Mlimani city and University as the case. The general objective of the study was to assess how customer satisfaction and expectation are affected by the perceived service quality and the specific objectives of the study are, identification of role of empathy and assurance, assessment of how service tangle and reliability affect the service quality, factor influencing customer expectation and perception and challenges that limits service provider to meet customer satisfaction.

During the field the researcher found out that there is high rate of customer joining the services of NMB and the all customer have high expectation and perception on the service that the bank provides. Most of this expectation of the customer are meet by the bank with the service that they provide although their some more efforts that the bank need to improve to ensure all the needs and the expectation that the customer come along with are fully meet. In today world banking service is a competition business so for a bank to survive and retain their customer the need to ensure that the customer is satisfied because their key factor for the success of the bank and to retain them they need to be satisfied.

Financial institutions such as insurance companies, investments dealers, trust units and banks being included here are actual one of the highly playing significant role on the economy because it deals with financial transactions which includes investment, loans, deposits and many others. it is normal to do business with this institutions, banking sector is an economy institute concern with primary purpose of mobilizing fund and financial support economic activities, this institution play a significant role on daily money transaction to people in everyday life, that is why bank should be concern on what kind of business should take in order for the customer to entice and retain their customers because customer select their bank basing on financial service with maximum satisfaction

## **6.2 Recommendation of the Study**

Basing on the findings and the field work, analysis, discussion and conclusion of the study, the following are the established as the recommendation of the study;

- i. First NMB should improve their **customer care**, the tellers windows should always be having people serving the customer throughout the working hours to address the customer promptly when they arrive so as to avoid long waiting time in the quest and also the staff should attend the customer in good and tender language that the can feel welcomed when using the services.
- ii. NMB should improve their **ATM services** in a manner that the bank should ensure that the ATM machines that exist already are proper working and provide the service 24 hours as required so the customer should not miss the service whenever they need them. Also, the ATM service should also include the deposits service so as the customer can deposit the money also 24hours.the number of this ATM also should be added, and they should be weirdly spread and reach different place both in rural and urban areas.
- iii. Also, NMB should **conduct their research** towards customers on their service and how they perceive it and expectation and needs of the customer because they change as time to time. Review of the customer needs and

expectation is important to update the provision of the service that ensure the satisfaction of the customer.

- iv. Also, **trainings** should be conducted to the customers as time to time both internally and externally, to ensure staffs are given the knowledge on how to treat customer with good responsiveness and provide them with service that will satisfy them always when they come in contact with the bank service.
- v. The **opinions** that are given by the customers should be taking into high consideration and being worked on as fast as their received to ensure the service provided match the needs and customer get what they want and any obstacles that the face is worked on effectively and on time.
- vi. **Technology** is very important on ensuring the service is being meet in a modern way, so the bank should ensure that their systems are efficiently and proper working all the time so as the customers will not miss the service because of the problem with the service.
- vii. The **services** that are provided such as loan should also be **widely spread** in the business ventures as the deposit and withdraw, so as it will be easy for the customer on getting this service and customer will be encouraged to get them in their nearby service.
- viii. In the today world NMB should understand that the banking business is becoming much of the **competition business** in order to win in this business innovation and new ways to meet the customer needs in a more reliable and efficient way should be implemented so that the satisfaction of the customer expectation and perception to be the day to day target.

### **6.3 Areas for further studies**

The study only covers on the effect of customer expectation and perception towards service quality, with only two branches of NMB as case study. During this study, the researcher funds out that the banking industry still need to conduct more study in some area, and because it a fast growing industry the areas for potential studies increase all the time. Because of the importance of this service to the society and the

challenge that it faces when operating, it became a potential area for the researcher to work on. With the improving of technology in the today world more research should be done on the e-banking services that is how the banking service re being used together with the internet service and how does this services satisfies the customer and what are the challenges that hinder the operation of this service to be effectively and how to tackle the challenges so as the banking service should enter in the new phase of business and succeed effectively on providing the service.

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## **APPENDICES**

### **APPENDIX 1: QUESTIONNAIRE**

#### **Questionnaire Prepared for an MBA Dissertation**



**Mzumbe University**

**School of Business**

**Your completion of this questionnaire is greatly appreciated.**

**All information you will provide will be treated with utmost confidentiality.**

Study conducted by:

**Loveness Fredrick Somi**

A Master of Business Administration student

If you have any question(s) regarding this questionnaire or the study thereof, please contact me through: Mobile 0682141826 or 0654219339 email: lovenesssomi21@gmail.com

Your completion of this questionnaire shall be taken to indicate your consent to participate in this study. Thank you.

**A STUDY ON**

**THE EFFECTS OF CUSTOMER EXPECTATIONS AND PERCEPTION  
TOWARDS SERVICE QUALITY: A CASE OF NMB BANK**

**A Note to Respondent**

Dear respondent, thank you so much for agreeing to be a part of this great project. I am therefore humbly seeking relevant information from you through this questionnaire.

**SECTION A: DEMOGRAPHICS AND PURCHASE CHARACTERISTICS**

1. Please provide the following general information about yourself by ticking in the correct box:

Code	Question	Answer
101	Gender	Male <input type="checkbox"/> Female <input type="checkbox"/>
102	Age group	16-25 <input type="checkbox"/> 26-34 <input type="checkbox"/> 35-43 <input type="checkbox"/> 44+ <input type="checkbox"/>
103	Marital status	Single <input type="checkbox"/> Married <input type="checkbox"/> Widowed <input type="checkbox"/>
104	Education level	Primary <input type="checkbox"/> Secondary <input type="checkbox"/> University/College <input type="checkbox"/>
105	What is your credential with respect to NMB?	Customer <input type="checkbox"/> Staffer <input type="checkbox"/>
106	If you are customer, how often do you use NMB?	Rarely <input type="checkbox"/> Few times <input type="checkbox"/> Quite often <input type="checkbox"/>
107	For how long have you been a customer of NMB?	Very long <input type="checkbox"/> Long enough <input type="checkbox"/> Recently <input type="checkbox"/>

**SECTION B**

2. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE EMPATHY</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
201	NMB staff are compassionate					
202	NMB staff are understanding					
203	NMB staff are helpful					
204	NMB staff are appreciative					

3. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE SERVICE TANGIBILITY</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
301	The NMB bank has widespread ATMs					
302	The NMB staffers are friendly					
303	The NMB issues comprehensive brochures					
304	The NMB uses modern equipment					

4. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE RESPONSIVENESS</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
401	The NMB staff serve quickly					
402	I usually don't wait too long in queues					
403	The NMB ATMs are very quick					
404	The NMB complaints management is responsive					

5. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE SERVICE RELIABILITY</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
501	NMB does not have arithmetic problems					
502	NMB staff are trustworthy					
503	NMB ATMs are always functional (24 hrs)					
504	I trust NMB to handle my cash and credit					

6. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE SERVICE ASSURANCE</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
601	Good service is always guaranteed with NMB					
602	NMB staff have high levels of professionalism					
603	NMB give out loans timely upon request					
604	NMB has good security for all branches					

7. For each item below, please indicate your level of agreement or disagreement by checking the appropriate box provided beneath the item.

<b>QUESTIONS THAT MEASURE CUSTOMER SATISFACTION</b>						
<b>Code</b>	<b>Question</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
701	I am generally satisfied with NMB					
702	I am satisfied with the service time					
703	I am happy with the service provision					
704	The bank handles my needs very well					

**8. What among the listed factors, influences most quality service towards customers satisfaction at NMB Bank? (Circle where you belong)**

1. Empathy
2. Responsiveness
3. Assurance
4. Tangibles
5. Reliability

**9. What do you think are the challenges that may hinder NMB to provide a good customer service?**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

--Thank you for participating--