

**THE LINK BETWEEN SERVICES QUALITY AND CUSTOMER
SATISFACTION IN THE RETAIL BANKING IN TANZANIA, CASE STUDY
OF CRDB BANK**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSSINESS
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: “The Link between Services Quality and Customer Satisfaction in the Retail Banking in Tanzania, case study of CRDB Bank” in partial fulfilment of the requirements for the award of the degree of Masters of Business Administration (MBA) of the Open University of Tanzania.

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DECLARATION

I, Abdulrahman Millas, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a degree or any other similar award.

Signature.....

Date.....

ACKNOWLEDGEMENTS

As always, while a dissertation may bear the name of one individual, it is more truly the product of countless interactions, and the work of many. It is in this regard that I extend my gratitude to a number of individuals who in one way or another helped me in writing this work.

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I remain exclusive responsible for any shortcomings in this work.

DEDICATION

This dissertation is dedicated to the people that matter most to me, my late father Mr. Issa Ally, my Mother Ms. Nyangindo Hassan, My Wife Ms.Fatma and My children Said, Issa and Ayda for their endless support and guidance throughout my academic career.

ABSTRACT

The main objective of this study was to find out the interrelationships between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Tanzania, the case study being CRDB Bank. The study sought to identify the most important attributes in bank settings, which may be used to review characteristics of the banks as experienced by customers. In Tanzania, few studies have investigated the above mentioned interrelationship. The purpose of this study is to fill this gap. A review of literature was conducted to find out the relationship among service quality, customer satisfaction and customer loyalty. The literature review confirmed the existence of this relationship. A survey was conducted to collect data. 20 bank staff and 20 retail banking customers were interviewed giving a total of 40 respondents. The study employed both quantitative and qualitative methods. Quantitative data was analyzed by going through the patterns and/or sub headings of the questionnaires while comparing with the objective. The findings of the study reveal that all the service quality attributes of Tangibility, Responsiveness, Reliability, Empathy and Assurance were positively related to customer satisfaction in the retail banking settings in Tanzania. The findings indicate that overall respondents evaluate the bank positively, but still there are rooms for improvements. The results can be of much value to bank managers using these data to retain customer satisfaction and maintain their competitive advantage. From the findings of the study, a number of recommendations have been provided so that banks provide quality services and improve bank services hence attract and retain customers.

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ABBREVIATIONS

BFIA	Banking and Financial Institutions Act
CRDB	Cooperative and Rural Development Bank
DANIDA	Danish International Development Agency

CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

This is an introductory chapter. It provides the background of the study, the statement of the problem, and the objectives of the study, research questions, and significance of the study, the scope and limitations of the study as well as the organization of the study.

1.2 Background to the Study

Customer care has never been a static phenomenon; in fact it seems to have been in a constant process of change throughout its history. In the past, the customer care practice was simply the act of giving what the customers needed and then let them go. The customer was regarded as dependant to the service provider that once is in need of product or service he/she would definitely come back for the same. The days of a customer adopting one product or company for life are long gone. With easy access and global competitiveness, customers are often swayed by advertising and chance at a “better deal” (Ruth, 2001).

Financial institutions have experienced a dynamic, fast-paced, and competitive environment at a cross-border scale. Customer Care is therefore an art of getting and retaining customers or clients in ones business. The aim of any business is to create a customer and the customer is the business (Drucker, 2001). Customer care measures how well organization is delivering services for its customers and communities. In the world of competitive market where service providers compete for the limited number of customers, the customer has to be respected and retained at any cost.

Financial services in the world have experienced several changes over the last decades with a growing attention to customer needs. Financial institutions such as banks realised the strategic importance of customer value and seem to be continuously seeking innovative ways to enhance customer relationships. Since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. Moreover, due to the similarity of the offers of many financial services, loyal customers have a huge value, since they are likely to spend and buy more, spread positive word-of-mouth, resist competitors' offers, wait for a product to become available and recommend the service provider to other potential customers.

Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led retail banks to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences. Nowadays, great attention is paid to all the bank-customer touch-points, aiming to optimise the interaction, towards affecting specific customer behaviour variables (satisfaction, loyalty, and the like) environment.

The relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. Many researchers have operationalized customer satisfaction by using a single term scale and many others have used multiple item scales. Service quality and customer satisfaction have been investigated, and the results have shown that the two constructs are indeed

independent, but are closely related, implying that an increase in one is likely to lead to an increase in the other (Sureshchandar *et al.*, 2002).

According to Zeithaml and Bitner (2003), satisfaction and service quality are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Service quality is a component of customer satisfaction.

1.2.1 Historical Background of CRDB Bank PLC

CRDB BANK LIMITED is a private commercial bank. The Bank was established on July 1st 1996 to succeed the former Cooperative and Rural Development Bank (CRDB), which was a public institution with majority of shares held by the Government of the United Republic of Tanzania. The succession was a result of the liberalization of the banking industry in Tanzania. The liberalization which followed the enactment of the Banking and Financial Institutions act (BFIA) of 1991 and Government's policy to divest its interest in the sector prompted a recapitalisation of the Bank to levels stipulated by the BFIA (1991). CRDB has been blessed with an invaluable partnership from the Danish International Development Agency (DANIDA). DANIDA's commitment and support in technical, managerial and financial areas of the Bank's operations has been instrumental for the success of CRDB BANK LIMITED.

DANIDA therefore was fundamentally involved in CRDB's restructuring as demanded by the BFIA (1991). The restructuring, which started in 1992, aimed at a

more efficient organizational system, better returns to shareholders and overall improvement in the financial performance of the Bank. The exercise involved comprehensive reorganisation structure of the Bank. The aims was to decentralize and designed to make the Bank more customer oriented, more accountable and with ability to compete in the free market economy. Operational policies and procedures were streamlined to make the Bank more efficient and customer oriented in its operations.

Regarding Financial restructuring, the bank had to start operating on sound financial basis and fulfilled conditions and measures of financial soundness mainly as outlined by BFIA (1996). Requirements for human resources were established and manpower downsizing was affected. To have optimum number of employees with respect to customers and bank profitability, 600 employees had been retrenched. Measures were taken to ensure that jobs restructuring would stimulate employees to work more productively and aim higher.

The bank new corporate culture attributes stressing on customer service and ability to compete were introduced to bank staff. Shareholding diversification was one of the aspects of the CRDB financial restructuring. In an unprecedented exercise, CRDB became the first successful major Tanzanian privatization that involved the sale of shares to the public.

CRDB BANK LIMITED is owned by over 11,000 shareholders under the following major groups (by value of shares).

Table 1.1: CRDB Shareholding Structure

Private individuals	37.0
Co operatives	14.0
Companies	10.2
DANIDA investment fund	30.0
Parastatals (NIC & PPF)	8.8
TOTAL	100.0

Source: <http://www.crdbbank.com>

The authorized share capital of the bank is Tshs 20.0 billion and presently the paid up capital is Tshs 12.3 billion. CRDB Bank Limited is a bank that cares for its customers and has the capacity to advise its clients. It is a bank committed to responsible development of Tanzania's economy and society by financing only environmentally friendly projects. CRDB Bank Plc is a leading, wholly-owned private commercial bank in Tanzania. The Bank was established in 1996 and has grown and prospered over the years to become the most innovative, first choice, and trusted bank in the country.

1.2.2 Services Offered by CRDB Bank PLC

CRDB Bank offers a comprehensive range of Corporate, Retail, Business, Treasury, Premier, and wholesale microfinance services through a network of 60 branches, ATMs, Depository ATMs, Mobile branches, Point of Sales (POS) terminals and scores of Microfinance partner institutions are also services provided by the bank. The Bank also operates through internet and Mobile banking services. Through the statement provided by the Managing Director CRDB Bank the vision is to accelerate

leadership journey by acquiring revolutionary solutions that can significantly reduce transaction cycle time and provide nimbleness to the business user during any change management. He asserted that the bank invest in Intellect BPS, a next-generation Business Process automation solution, to take the bank closer to the vision. He further added that Intellect BPS solution offers the advantage of agile development because of its prebuilt point solutions. It was chosen after a rigorous assessment of its capabilities. According to him the investment is part of CRDB's commitment to make the bank more customer and process centric.

1.3 Statement of the Problem

In modern competitive environments, quality services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalised competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. Quality levels and features between competing brands and organizations are often comparable. The thing that separates competitors is their level of service. It is not unusual for customers to switch back and forth between products or organizations simply because of pricing, a bad first impression from the organization or lack of quality service. This is sometimes referred to as service churn (Liu, 2005).

The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near or end of the month when salaries are being transacted. Most times, long queues are as a result of the breakdown of the network used by these cashiers. Sometimes it occurs as a result of

the cashiers, pushing duty to one another regarding as to who is to attend to the customers or not (Ross, 1995). However, almost every Tanzanian bank encounters similar problems in meeting customers' expectation of services and customer satisfaction. For example, the issue of money transfer in banks is one of the major problems that customers of certain banks have been made to experience. In most cases the customer hardly receives the payment of the money transferred into his/her account immediately.

Poor customer service is often a result of not having enough workers for the job (Ross, 1995). Without a substantiate number of employees, hold time may be too long. Representatives may be rushed to complete the transaction, or there may be no one available to help at all. As a result of budget cuts or cost-saving techniques, important technological upgrades may be avoided by a company, leading to poor customer service at no fault to the representative. Wait time will grow when a company cannot keep up with the times. Transactions may be lost, and other malfunctions could happen with a lack of upgraded equipment.

The effects of customers not being satisfied include losing customer loyalty, decrease in sales and later low profitability. Disatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase". Banks have taken various measures like improving the performance of ATMs, introducing new lines of services like Internet and SimBanking where customers can access their accounts online and perform various transactions like settling their utility bills. Despite the efforts done the problem still persists. Considering that there are very few studies conducted regarding Customer satisfaction in banking in Tanzania,

thus this study is being conducted to fill this knowledge gap by assessing the link between service quality and customer satisfaction in the retail banking in Tanzania.

1.4 Objectives of the Study

1.4.1 General Research Objective

The main objective of this study was to assess the relationship between the services quality attributes and customer satisfaction in the banking industry, the case being CRDB Bank.

1.4.2 Specific Research Objectives

The study was guided by the following objectives

- i. To examine the extent to which Tangibility of services leads to customer satisfaction
- ii. To examine the extent to which Responsiveness leads to customer satisfaction
- iii. To examine the extent to which Reliability of services leads to customer satisfaction
- iv. To examine the extent to which Empathy leads to customer satisfaction
- v. To examine the extent to which Assurance leads to customer satisfaction

1.5 Research Questions

The study was guided by the following questions:-

- i. To what extent does Reliability of services lead to customer satisfaction in the banking industry in Tanzania?

- ii. To what extent does Tangibility of services lead to customer satisfaction in the banking industry in Tanzania?
- iii. To what Extent does Responsiveness lead to customer satisfaction in the banking industry in Tanzania?
- iv. To what extent does Empathy lead to customer satisfaction in the banking industry in Tanzania?
- v. To what extent does Assurance lead to customer satisfaction in the banking industry in Tanzania?

1.6 Significance of the Study

In Tanzania, not much attention is given to the notion of providing consumers with quality services and satisfaction hence some banks render weak services and thereby taking customers for granted. However, with the advent of self – service technologies in business and globalization communications, as well as development in Information Technology including internet, Tanzanian consumers are becoming aware of their rights and take necessary actions against companies that infringe upon their rights. This type of study is therefore very necessary to enlighten Tanzanian bankers so that they can know how to render effective quality services that will satisfy their customers in this fast changing technology era.

The study will add to the existing knowledge on the role of service quality on customer satisfaction particularly in this era of competition. Moreover, this study is for the partial accomplishment of the degree of Masters of Business Administration of the Open University of Tanzania.

1.7 The Scope and Limitations of the Study

The study was conducted at CRDB Bank in Dar es Salaam City. The bank was chosen due to the fact that it is a local bank with a long experience banking industry, and it has been responding immediately to technological changes in customer services provision. It is also a bank that has branches all over the country. These reasons inspired the researcher to carry out a research with this bank for it was easier for him to reach and obtain data.

Other reasons included cost constraints and limited time that the researcher had to incur to cover the entire population throughout the country. With the short time, it was difficult to cover all banks in the country and meanwhile produce a good and timely report. The results obtained from this study were used to make conclusions and generalizations about all banks in the country. It is believed that the results are representative because most banks in Tanzania are concentrated in the cities and face almost the same challenges.

This study presented exhibit limitations that should be considered. The sample size of this study was 40. This sample size is small to be competently representative of all bank customers' behaviours in Tanzania. Another researcher may use a bigger sample size to find out more about service quality, customer satisfaction and customer loyalty in the retail banking settings in Tanzania. Other variables may influence customer decision making process in the retail banking industry, such as price, convenience, interest rates and the like. This study covers the customers of Government banks in Tanzania. The Private and Foreign banks that have a role in the retail banking industry in Tanzania were excluded from this study.

1.8 Organisation of the study

This study has five chapters, Chapter one is the introduction and background of the study. The chapter presents the statement of the problem, the objectives of the study, the research questions, the significant of the study, scope and limitations of the study as well as the organisation of the study. Chapter two presents the literature review related to the study. It begins with the definitions of key concepts. It later provides the theoretical perspectives, the empirical studies related to the topic under study and finally the conceptual framework of the study.

Chapter three presents the design and methodology of the study. The chapter explains the study area, the research design and methodology of the study. The chapter explains the study area, research design, data collection methods and data analysis technique and interpretation. Chapter four is the heart of the study. It presents the findings of the study. Chapter five summarizes and concludes the study. The chapter also offers recommendations and suggests further areas for the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review related to the topic under study. It first provides the definition of key concepts as used in this study. The chapter also presents the empirical studies both from outside and in Tanzania. It first provides the definitions of key concepts as used in the study. Finally the chapter presents the conceptual framework of the study.

2.2 Definition of key Concepts

This section provides the key concepts used in this study. The concepts definitions are related to customer services.

2.2.1 Quality

According to Parasuraman *et al.*, (1988) define quality as the difference between customer's expectation and their perception of the service delivered. In this study the term quality was used in the same sense.

2.2.2 Service Quality

According to Venetis & Ghauri (2004), service quality is regarded as one of the few means of services differentiation, attracting new customers and increasing market share. It is also viewed as an important means of customer retention. Danaher and Mattson (1994), concluded that service quality is based on five service quality dimensions namely Tangibles, Reliability, Responsiveness, Assurance and Empathy. Service quality is the result of human interaction between the service provider and

the customer (Liu, 2005). Gronroos (2007) suggests that the quality of service as perceived by customers is the result of an evaluation process in which they compare their perspective of service outcome against what they expected. This study used the term service quality in the same perspectives.

2.2.3 Reliability

Reliability is defined as the ability to perform the promised services both dependably and accurately (Parasuraman *et al*, 1988). Reliable service performed is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time (Parasuraman *et al.*, 1988). Petruzzellis *et al.*, (2006) define Reliability as the ability to provide the exact required service according to given specifications and conditions. The study used the term Reliability in the same context.

2.2.4 Responsiveness

According to Liu (2005), responsiveness is the the willingness to help customers and to provide prompt service. According to him, keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality (ibid). In this study the term Responsiveness was used in line with Liu's view.

2.2.5 Assurance

Shafie *et al.*, (2004) define Empathy in relation to Islamic banking as the knowledge and courtesy of employees and their ability to convey trust and confidence. It also

includes verbal and written. Parasuraman *et al.*, (1988) define assurance as the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart. It also deals with feelings of trust and confidence in dealing with the organization. This reflects the workers' knowledge and experience and their ability to build self confidence as well as confidence in the customers themselves (Singh, 2004). This study applied the same views in discussing about Assurance.

2.2.6 Empathy

Shafie *et al.*, (2004) define Empathy in relation to Islamic banking as caring, individualised attention which the Islamic bank provides for its customers. According to Parasuraman *et al.*, (1988), Empathy is the provision of caring, individualized attention to customers. According to them, Empathy includes the following features such as approachability, sensitivity and effort to understand the customer's needs.

Singh (2004) explains empathy as understanding the customers' personal needs, taking care of them individually and showing them all sorts of sympathy and affection, looking at them as close friends and distinguished clients. Same views used in this study in assessing this attribute in relation to this study. This study used the Tangible attribute in the same context.

2.2.7 Tangibles

Danaher and Mattson (1994) define Tangible as the appearance of physical facilities, equipment, personnel, and communication materials. The condition of the physical surroundings is tangible evidence of the care and attentions to detail that are exhibited by the service provider. This assessment dimension also can extend to the conduct of other customers in the service.

2.2.8 Satisfaction

Many researchers have looked into the importance of customer satisfaction. Kotler and Armstrong (2012) preach that satisfaction is the pos-purchase evaluation of products or services taking into consideration the expectations. Kotler (2000) defined satisfaction as person's feelings of pleasure or disappointment resulting from comparing a product perceived performance (or outcome) in relation to his or her expectations. Hoyer and MacInnis (2001) argue that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight. The views of Kotler and MacInnis are also applied in assessing the attribute of satisfaction.

2.3 Theoretical Perspectives

With the fast pace of modern-day living, utilization of services has increased tremendously. Marketing practitioners and researchers, likewise, have increased their activity momentum in this area of business. However, despite this fast pace and resultant enrichment of service literature, the issue of perceived service quality remains elusive (Parasuraman *et al.*, 1988; Smith, 1999).

Service quality is an important tool to measure customer satisfaction (Hazlina et al., 2011). Studies show that the quality of service offered is related to overall satisfaction of the customer. According to Jamal and Anastasiadou (2009), reliability, tangibility and empathy positively related with customer satisfaction. Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Meanwhile empathy was found to have a significant and negative effect on customer satisfaction. Moreover, the result of Ravichandran *et al.*, (2010) indicates responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively.

A review of literature reveals that major efforts have been anchored in the perspectives of Gronroos (1982) and Parasuraman *et al.*, (1988). Gronroos (1982, 1984) Nordic perspective viewed service quality in global terms of functional and technical quality. In contrast, the American perspective of Parasuraman *et al.*, (1988) zeros in Reliability, Responsiveness, Empathy, Assurances, and Tangibles all related to or dependent upon the service encounter process. Carman (1999) found that since service quality evaluations are highly complex processes, they could be expected to be at several levels of abstraction. Service quality construct confirms to the structure of a third-order factor model that ties service quality perceptions to distinct and actionable dimensions (Brady and Cronin. Jr, 2001).

The service market is becoming even more competitive, as price competition intensifies and the shifting of loyalty becomes an acceptable practice. Many industries have already experienced a rearrangement of marketing budgets in order

to devote more resources to defensive marketing, namely customer retention (Patterson and Spreng, 1998). Several initiatives have been undertaken to improve retention, including value chain analysis, customer satisfaction and loyalty programmes (Gummerson, 1998).

The customer satisfaction-retention link has received more attention among marketing and management practitioners and academics. Customer satisfaction has long been regarded as a “proxy” for firm success since it is inextricably linked to customer loyalty and retention. Several authors (Bloemer and Lemmink, 1992; Bloemer and Kasper, 1995; Sharma and Patterson, 2000) highlighted, however, that the link between customer satisfaction and customer retention is reliant, to some extent, upon other factors such as the level of competition, switching barriers, proprietary technology and the features of individual customers. The relationship between these two key constructs is considered to be far more complex than it might first seem (Fournier and Mick, 1999).

Satisfaction has a significant impact on customer loyalty (Sharma and Patterson, 2000) and, as a direct antecedent, leads to commitment in business relationships (Burnham *et al.*, 2003), thus greatly influencing customer repurchase intention (Morgan and Hunt, 1994). Indeed, the impact of satisfaction on commitment and retention varies in relation to the industry, product or service, environment and the like. However, according to Burnham *et al.*, (2003), customer commitment cannot be dependent only on satisfaction. Relational switching costs, which consist in personal relationship loss and brand relationship costs and involve psychological or emotional

discomfort due to loss of identity and breaking of bonds (Burnham *et al.*, 2003), have a moderating effect on the satisfaction – commitment link (Sharma and Patterson, 2000).

Since relational switching costs represent a barrier to exit from the relationship, they can be expected to increase the relationship commitment. High switching barriers may mean that customers have to stay (or perceive that they have to) with suppliers who do not care for the satisfaction created in the relationship. On the other hand, customer satisfaction is usually the key element in securing repeat patronage, this outcome may be dependent on switching barriers in the context of service provision (Jones *et al.*, 2000).

A few other key studies have established the links between service quality characteristics and customer satisfaction. As an extension of Grönroos model, Rust and Oliver (1994) provided a three-component model explaining service quality through service product, service delivery and service environment, while Brady and Cronin (2001) suggested three service quality dimensions – service outcome, consumer-employee interaction and service environment. The notion of service product/service outcome and service delivery/consumer employee interaction is consistent with the idea of technical attribute and functional attribute derived from Grönroos' model.

In line with this, Johnston (1997) examined the link between service transactions and overall satisfaction. He found that the causes of dissatisfaction and satisfaction are not necessarily the same. According to him some service quality attributes may not

be critical for consumer satisfaction but can significantly lead to dissatisfaction when they are performed poorly. Furthermore (Johnston 1997) classified all dimensions into enhancing (satisfiers), hygiene (dissatisfiers) and dual factors. Johnston (1995) identified attentiveness, responsiveness care and friendliness as the main sources of satisfactions (satisfiers) in banking services, and integrity, reliability, availability and functionality as the main sources of dissatisfaction (dissatisfies).

'SERVQUAL' model developed by (Parasuraman, *et al.*, 1988) is based on the customers' expectations of the service level and their perceptions of the actual service performance level. So the axis of this model is represented by the gap between the customers' perceptions of the actual service performance level and their expectations of the service quality. This gap, in turn, depends on the nature, design and provision of this service. The major objective of 'SERVQUAL' model is to clarify the series of gap which affect the beneficiary's perception of service quality; that is, the four previously mentioned gaps which occur in the administrative aspect.

SERVQUAL MODEL measure is well established in the retail banking industry. Angur *et al.*, (1999) stated that SERVQUAL instruments are the best measure of service quality perceptions in the retail banking industry in developing countries. The current study also used the SERVQUAL instruments to measure the service quality perceptions in the retail banking sector in Tanzania. This study used the SERVQUAL model to determine the relative importance of each of the service quality attributes which influenced customer overall quality perceptions.

2.4 Empirical Studies

This section presents different studies that were carried out by different authors worldwide and studies that were carried out focusing on Tanzania in particular.

2.4.1 World related Studies

The exploratory study conducted by Stafford (1996) titled "Demographic discriminators of service quality in the banking industry" reported the distinct elements (attributes) of bank service quality as perceived by customers. Seven attributes were found in assessing bank service quality. The first attribute, named "bank atmosphere"; included cleanliness, as well as an overall positive and courteous attitude by employees (kindness, friendliness, and pleasantness).

The second attribute, 'relationship,' indicates the importance of a personal relationship with the bank employees, where customers are recognized easily by long-term employees. The third attribute, "rates and charges," indicates that low costs and high interest rates can affect an individual's perception of bank service quality. The fourth attribute, "available and convenient services," indicates a full array of services that are available, easily accessible and convenient. The fifth attribute, "ATMs," indicates available, convenient, and working automatic teller machines. The sixth attribute, "reliability/honesty," indicates the importance of a solid bank rating and honest, reliable employees. The seventh attribute, "teller," indicates adequate and accessible tellers.

The relationship between service quality and customer satisfaction has received considerable academic attention in the past few years. Many researchers have

operationalized customer satisfaction by using a single term scale and many others have used multiple item scales. Service quality and customer satisfaction have been investigated, and results have shown that the two constructs are indeed independent, but are closely related, implying that an increase in one is likely to lead to an increase in the other Sureshchandar *et al.*, (2001).

According to Zeithaml and Bitner (2003), satisfaction and service quality are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Service quality is a component of customer satisfaction.

Angur *et al.*, (1999) examined the applicability of alternative measures of service quality in the banking industry in India. Data were gathered from customers of two major banks in the retail banking industry (a leading public sector bank and a leading private sector multinational bank). The results suggested that the service quality concept in the retail banking of India as one of the developing economy is a multidimensional construct of service quality.

Bahia and Nantel (2000) developed a specific scale for measuring perceived service quality in retail banking. The Bank Service Quality model (BSQ) is an extension of the original ten dimensions model of Parasuraman *et al.*, 5) where in courtesy and accesses were added as proposed by Carman (1990). In line with this, Bargal and Sharma (2008) analyzed the role of service marketing in the banking sector. These

according to them are identified some of the important service factors in the banking sector that influence customer satisfaction. They are diversified services, flexible business transaction hours, accessibility of bank location, and installation of web system, professional training to their employees, customers' complaint system and performance based appraisal system to enrich their services to their customers.

Ford *et al.*, 1997) have emphasized the need for customer feedback as it helps organizations (banks) to identify their strengths and weaknesses. They further stressed that customer complaints and compliments are the core that form the feedback. This suggests that it is useful to bank management to investigate service quality attributes having both negative and positive contributions, and to pay more attention to the negative attributes. This process as noted by them helps banks to frame strategies for improving service quality which increases customer satisfaction. Sureshchander *et al.*, (2003) focused on investigating the critical factors of customers perceived service quality in banks of a developing economy like India.

Suresh *et al.*, 2002) used multiple discriminate analysis to identify the important discriminate dimensions of Total Quality Service Dimensions (TQS) among the three sectors of Indian Banks. Singh (2004) identified that the level of customer service and satisfaction is determined by the branch location and design, variety of services, rates and charges, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redressal and very importantly the staff's attitudes and skills in banks.

2.4.2 Studies Done in Tanzania

Customer Satisfaction is one of the most important outcomes in the marketing literature particularly in Tanzanian banking industry. It serves to link processes culminating purchase and consumption with post purchase phenomena such as attitude change, repeat purchase, and brand loyalty (Kimei, 2002). In the competitive business market, many firms in Tanzania are focusing on their efforts on maintaining a loyal customer base. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. According to Maximambali *et al.*, (1999) customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors.

A study conducted by Kamala (2000) on the performance of financial institution in Tanzania revealed that not much attention is given to the notion of providing consumers with quality service and satisfaction hence, some banks render weak services and thereby taking customers for granted. However, with the advent of self – service technologies in business and globalization communications, as well as development in information technology including internet, Tanzanian consumers as noted by Kamala will come to know their rights and take necessary actions against companies that infringe upon their rights. This type of study is therefore very necessary to enlighten Tanzanian bankers so that they can know how to render effective services that will satisfy their customers.

Magavilla (2002) urges that service performance is a critical indicator of service quality in Tanzania financial institutions. Banks need to conduct a service audit that

examines the processes involved in executing services, in terms of actual time and expected time. The fact that many customers would leave as a result of time taken in carrying out services indicates that this is an area that the bank can capitalize on. Service quality also depends on the level of ownership of employees in it. In-order for employees to take up ownership in service quality they have to be involved and motivated towards it. Involvement entails being involved in setting quality standards and how they will be monitored. Motivation of employees, likewise, has to be linked to service quality. Although many scholars have ascertained the fact that customer service has positive effect on satisfaction but very few have been able to explore and highlight the variables that constitute customer service in the Tanzanian banking industry.

2.5 Conceptual Framework for the study

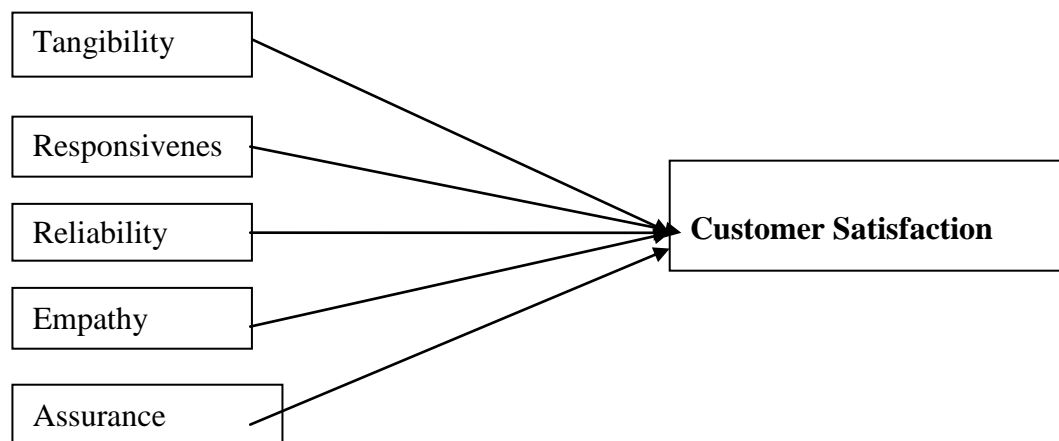


Figure 1: Conceptual Framework for The Study

Source: Parasuraman *et al.*, (1988)

Service quality is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and

outcome quality. These elements are in turn evaluated based on specific quality dimensions: Reliability, Responsiveness, Assurance, Empathy and Tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

According to Parasuraman *et al.*, (1988), five principal dimensions that customers use to judge service quality include- Quality Tangibility, Responsiveness, Reliability, Empathy, and Assurance as shown in Figure 2.1.. In this study, the problem was conceptualized showing the relationships between independent and dependent variables. Independent variables used in the frame work (model) are Quality Tangibility, Responsiveness, Reliability, Empathy, and Assurance; Dependent variables are service quality and customer satisfaction.

2.6 Research Gap

Prabhakaran (2003) mentioned that the customer is the king. High customer satisfaction is important in maintaining a loyal customer base. To link the service quality, customer satisfaction is important. Kumar *et al.*, (2009) stated that high quality of service will result in high customer satisfaction and increases customer loyalty. Heskett *et al.*, (1994) argued that profit and growth are stimulated primarily by customer satisfaction. Parasuraman *et al.*, (1988) and Naeem *et al.*, (2009) found that customer satisfaction is the outcome of service quality. Caruana (2002) developed a mediational model that links the service quality and customer satisfaction and applied this model in the retail banks in Malta. The results appear to

prove the links between service quality, customer satisfaction and customer loyalty. So far, in Tanzania these links have not been explored in depth. Magavilla (2002) in his research focused on interpersonal communication, service performance and complaint handling as indicators in service quality, this study goes beyond that. This study therefore aimed at filling this knowledge gap.

CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the design and methodology used in this study. The chapter entails the research design and area of study, sample and sampling techniques, nature of data and its sources, collection techniques, data analysis and the strategies that were pursued to ensure validity and reliability of data and information.

3.2 The Study Area

The study was conducted at CRDB Bank in Dar es Salaam City. The bank was chosen due to the fact that it is local bank with a long experience in the banking industry, and it has been responding immediately to technological changes in customer services provision. It is also a bank that has branches all over the country.

3.3 The Research Design

A research design is regarded as an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance with the research purpose; it is the conceptual structure within which research is conducted (Kothari, 2004). This study is empirical in nature, based on mainly primary data collected through field survey. In the survey, structured questionnaires were used to collect data on a sample of respondents over the study period. The official documents like financial statements and projections were reviewed so as to obtain more historical data regarding the performance of the bank with regard to customer services.

3.4 Population

The targeted population for this study was limited to CRDB retail banking customers, Bank Officials from both Managerial level and from line officers all branches in Dar es Salaam.

3.5 Sampling Design

The main objective of this research is on the interrelationships among service quality, customer satisfaction in the retail banking sector in Tanzania. The sample for this study was selected from the indicated population of retail bank customers and bank officials. Data were also collected from the offices of the selected bank. The sampling method that was used to collect data was stratified random sampling. The five officials from managerial level and 15 front line officers were approached for interview and 20 bank customers were interviewed making a total of forty (40) respondents. In order the study to be gender sensitive 20 female respondents and 20 male respondents were interviewed.

3.6 Data Collection Methods

In order for the research to produce a realistic outcome, the spread of data has to be distributed over a large population. Thus, the questionnaires were designed to apply to a heterogeneous population, where targeted respondents came from the selected population (different genders, age groups, marital status, education background, designation and professionalisms). Due to the fact that different levels of society have different expectations and needs, therefore, the idea of choosing respondents from different backgrounds was most certainly generate a more reliable outcome

towards service quality by retail banks. In this study, data collection tools such as questionnaires were used. Both primary and secondary sources of data were used.

3.6.1 Primary Data

Primary data is the information gathered directly from respondents by the researcher (Kothari, 2004) structured questionnaires were used to collect primary data from the field. This method enabled the researcher to obtain specific data needed. For easy understanding, the questionnaires were in two languages, English and Kiswahili. The questionnaires had three parts. The first part of the questionnaire considered the demographic factor of the respondents with multiple choice questions, the second part of the questionnaires required a respondent to rate the satisfaction level of the bank they have chosen or attached with into five pre-defined level scale “strongly disagree,” “Disagree,” Neutral,” “Agree” and “Strongly agree.” The third part also deployed the same concept used in a second apart with some few unstructured questions set to have opinions from respondents as every respondent had his/her own answer. For open-ended questions, the respondents were required to fill in the empty spaces by giving their opinion.

3.6.2 Secondary Data

Secondary data are those neither collected directly by the researcher nor specifically for the researcher (Kothari, 2004). It involves gathering data that has already been collected by someone else. Various documents and other writings available were read extensively in order to obtain secondary data for the purpose of obtaining official information about the performance of the banks.

3.7 Data Analysis Techniques and Interpretation

After collecting data, the data were edited accurately. Then, the data were coded and analyzed in the form of tables, percentages, graphs and charts. The interpretation based on the evidence that was depicted from the analysed data. The analysis of the research data employed both quantitative and qualitative method. Quantitative data were analyzed by going through the patterns and/or sub headings of the questionnaires while comparing with the objective. Data analysis and interpretation helped the researcher to answer the research questions and ultimately recommend what should be done in order to improve upon the customer services and bank performances. Qualitative data, on the other hand, were analyzed with the help of the Software Package for Statistic Science (SPSS). Data obtained were then presented in the form of tables, frequencies and percentages.

3.8 Validity

Validity is concerned with whether the instrument (in this case surveys) “measures what it is supposed to measure” (Leedy & Ormrod, 2001: 31) and whether it will lead to valid conclusions about service expectations in retail banking. Since quantitative survey research was conducted, the following issues around validity are evident. To ensure the issue of validity is considered the researcher used the specific instrument on this survey.

3.8.1 External validity

External validity refers to generalisability, i.e. the ability for the research to be generalised across persons, settings and times. Large sample sizes were used in

conjunction with a random sampling methodology which is probability based (Leedy & Ormrod, 2001), thus it is possible to generalise the results of the study. The author put the quality control in every stage to ensure validity.

3.8.2 Internal Validity

Internal validity refers to the extent to which the instrument allows inferences about the causal relationships between data elements (Leedy & Ormrod, 2001). There are various types of internal validity, namely: content validity, construct validity and criterion-related validity (Leedy & Ormrod, 2001). Content and construct validity is relevant and therefore discussed here. Content validity was addressed by ensuring that there were adequate questions to completely cover all the relevant aspects identified in the literature review. Questionnaire wording / understanding across different cultural boundaries may weaken face validity. This was addressed by translating and conducting face-to-face interviews whenever necessary in English or the Kiswahili language, depending on the respondent's choice, in an effort to reduce misinterpretations.

Construct validity was addressed by means of questionnaire piloting. This ensured that constructs were clear, unambiguous and did not result in bias as a result of phrasing. Each construct is developed to add value to the survey, and is selected to ensure convergence with the literature review. The task of rank ordering large numbers of items can be unduly onerous for respondents, which has a negative impact on the validity and reliability of the data (Stacey, 2006). This was addressed by using partial rank ordering in the questionnaire in order to reduce respondent fatigue.

3.9 Reliability

Reliability is defined as the extent to which similar research conducted in future will result in similar outcomes (Leedy & Ormrod, 2001). Equivalence: bias may be introduced by contact between researcher and respondent. This was reduced by using a structured, closed questionnaire. By constructing the survey questionnaire derived from the SERVQUAL model, as well as the literature review, it was possible to enhance internal consistency through the use of rank order scales (Leedy & Ormrod 2001) rather than content analysis resulting from open questions. Errors of equivalence and stability were also reduced since responses were selected from a limited range of clearly defined service attributes.

The quality controls (discussed above) also ensured that the research is administered consistently throughout all the countries. A quantitative research methodology using a random sampling technique and adequate sample sizes reduced the potential for sampling error and ensured that the outcomes have a greater degree of reliability. Furthermore, by rescaling the ordinal data using the algorithmic approach, the potential for type II error was reduced. A possible limitation was that the sample chosen was equally weighted towards CRDB officials versus the bank's customers, since the researcher was based in Dar es Salaam, the study was only conducted in Dar es salaam to avoid cost of travelling to upcountry branches.

CHAPTER FOUR

4.0 FINDINGS, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter presents the findings of the study. It also analyses and discusses the findings of the study. Data analysis is summarized and presented in tables, percentages and statistical tests. The analysis made is based on primary data gathered from the field through interviews with bank managers and frontline employees and the questionnaires from respondents. In other cases, it is based on secondary data gathered from the selected organizations' annual reports, corporate profile reports, and findings from past researchers. The findings of this study are divided into descriptive findings and findings as per study objectives.

4.2 Descriptive Findings

4.2.1 Characteristics of the Respondents

Table 4.1: Nature and Composition of the Respondents by Sex

Category of Respondents	Male	Female	Frequency	%
CRDB Bank Branch managers	3	2	5	12.5%
CRDB frontline officers	7	8	15	37.5%
CRDB Bank Customers	10	10	20	50.0%
Total	20	20	40	100%

Source: Field Data 2012

This section describes the nature and characteristics of the respondents. Forty (40) respondents of both gender were determined. Furthermore the respondents were divided into three categories: Bank Managers, Frontline Offices and Customers. It

was expected that this mixture of respondents would give a better conclusion in this study.

Table 4.1 shows that, 5 (12.5%) of the respondents in the sample came from CRDB management. 15 (37.5%) of the sample constituted respondents from CRDB frontline officers. 20 (50%) of respondents were CRDB bank customers. Furthermore, 20 (50%) of all the respondents were male and 20 (50%) were female.

4.3 The Findings of the Study

This section presents the findings of the study as per the research objectives. It will be recalled that the study objectives are:

- i. To examine the extent to which tangibility of services leads to customer satisfaction
- ii. To examine the extent to which responsiveness leads to customer satisfaction
- iii. To examine the extent to which reliability of services leads to customer satisfaction
- iv. To examine the extent to which empathy leads to customer satisfaction
- v. To examine the extent to which Assurance leads to customer satisfaction

4.3.1 The relationship Between Customers Satisfaction and Service Quality

Attribute

The CRDB Management and staff were asked to give their views towards the relationship between customers satisfaction and service quality attribute the intention

was to know whether the reliability of services leads to customer satisfaction in the banking industry in Tanzania, the findings are illustrated in Table 3

Table 4.2: The effects of Reliability of services on the Customer Satisfaction In the Banking Industry in Tanzania

Area of response	Frequency	Percentage
Strongly Agree	5	25
Agree	10	50
Average	3	15
Disagree	2	10
Strongly Disagree	0	0
Total	20	100

Source: Field Data (2012)

Table 4.2 above reveals that the 5(25%) of the respondents (bank officials) said that reliability leads to customer satisfaction to a very high extent, 10 (50%) of the respondents said that the extent to which reliability leads to customer satisfaction is high, 3 (15%) said it leads to average while 2 (10%) expressed that it only leads to low extent. From the findings of the study service is delivered to the standards expected and promised. Reliability is the ability to perform the promised services both dependably and accurately. Reliable service performed is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time. In essence, for us CRDB, Reliability represents the customer getting what they feel they have paid for. According to CRDB bank

officials, there is a positive relationship between reliability and customer satisfaction in the retail banking sector in Tanzania. The findings testify that customers are satisfied with the services provided by the bank as promised and handling (speed) of solving the problem. Customers are confident that banks will fulfill the promised terms and conditions which will not go against their (customers) interests. They further pointed out that reliability is one of the important factors of customer satisfaction.

The study also wanted to know whether the tangibility of services leads to customer satisfaction in the banking industry in Tanzania, Table 4.3 summarizes the findings.

Table 4.3: The Effects of Tangibility of Services on the Customer Satisfaction in the Banking Industry in Tanzania

Area of response	Frequency	Percentage
Strongly Agree	10	50
Agree	8	40
Average	2	10
Disagree	0	0
Strongly Disagree	0	0
Total	20	100

Source: Field Data,(2012)

From the table 4.3 above it can be noted that 10 (50%) of CRDB respondents strongly agreed that tangibility has positive effects on customers satisfaction, 8 (40%) agreed with the statement and 2 (10%) of the respondents said that tangibility has average effects on the customers satisfaction in the banking industry. Neither of the respondents disagreed nor strongly disagreed.

The respondents on the bank staff category added that for effectiveness, machines are used to help the banks to provide faster and better services to their customers. They asserted that Internet banking is spread all over nationwide like wild fire, it promises 24 hours, 7 days non-stop service, customers are able to settle many manners without leaving their home or office, including pay bills, check account balance, inter-bank transferred and loan instalment and others. Many machines such as ATM machines, cash deposit machines, and its functions also have been improved to serve walk-in customer. These machines are being built in a way with less error, more accurate and less time to spend and they can work in extended hour.

Table 4.4: the effects of Responsiveness on the Customer Satisfaction in the Banking Industry in Tanzania

Area of response	Frequency	Percentage
Strongly Agree	18	90
Agree	2	10
Average	0	0
Disagree	0	0
Strongly Disagree	0	0
Total	20	100

Source: Field Data, (2012)

Many retailing banks are taking steps to improve this manner to retain and capture more customers. Bank branches are operating in many shopping mall and retail stores nowadays. Most of these branches are operated from 9am till 5pm, some even 7 days a week. According to the respondents all these changes are made to fulfil customer satisfaction, capture and retain them. Moreover, the study wanted to know

whether the responsiveness of services leads to customer satisfaction in the banking industry in Tanzania, the findings are revealed in Table 4.4.

Table 4.4 shows that the 18(90%) of the respondents in the category of bank officials said that responsiveness has a strong positive correlation on customer satisfaction and 2 (10%) said that it has positive correlation on the customer satisfaction. These results indicate that Responsiveness has very positive effects on the customers' satisfaction neither of the respondents showed negative opinions. They all agreed that Responsiveness is the willingness and ability of the service provider to meet and adapt to customers' needs. They asserted that Responsiveness and customer satisfaction are positively correlated. Keeping customers waiting, particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality.

The bank customers in Tanzania prefer a friendly bank, which is willing to help in their banking operations. Willingness to help customers is likely to have an important and positive effect on customer satisfaction in the retail banking sector in Tanzania. Furthermore they said that Responsiveness is the timely reaction towards the customers' needs. Responsiveness is positively related to customer satisfaction. Once again, bank officials said that the banks' customers are preferred to deal with the machines rather than human beings. Machines are made to have a shorter responding time compared to human beings, and their efficiency are being improved with period. Human responsiveness sometime can be affected by emotion, which results in low productivity.

Furthermore the intention of the study was to know whether Empathy leads to customer satisfaction in the banking industry in Tanzania. The findings are illustrated in table 4.5.

Table 4.5: The Effects of Empathy on the Customer Satisfaction in the Banking Industry in Tanzania

Area of response	Frequency	Percentage
Strongly Agree	13	65
Agree	5	25
Average	2	10
Disagree	0	0
Strongly Disagree	0	0
Total	20	100

Source: Field Data (2012)

Table 4.5 reveals that the 13(65%) of the bank officials category contended that Empathy has a strong positive correlation on customer satisfaction, 5 (25%) said that it has positive correlation on the customer satisfaction while 2(10%) said that it has average effect on customer satisfaction.

Giving their opinions on the asked question, the bank officials said that they understood that Service customers often have expectations with regard to the extent to which the service provider appears to understand and be concerned about their individual needs and wants. Empathy includes the following features: approachability, sensitivity and effort to understand the customer's needs. The more

the service provider can see things from the customer's point of view, the better. They asserted that core concept of empathy is to understand the needs of customers and provide individual attention. They further said that their staff and customer interactions are reflected through the empathy dimensions. They added that their experience shows that the bank customers in Tanzania want a high degree of interaction with the bank staff and they also expect personalized service from the bank staff.

The bank customers are also looking for front line staffs that are capable of understanding their specific needs. "We give our customers individual attention. We have operating hours convenient to all of our customers. We have staffs who give customers personal attention. We have the customers' best interests at heart. Our staffs understand the specific needs of our customers". Said one of the bank managers. "How well your processes perform will add value to your bottom line, but, there is a caveat to that. If a customer comes into a branch, but wasn't greeted with a smile, called by a name, the entire if you like the personal touch, the humanistic side, of the overall experience, then you can still really severely impact your customer service. So processes can only go so far." Said another staff.

Lastly the study wanted to know whether Assurance leads to customer satisfaction in the banking industry in Tanzania. The findings are summarised in Table 4.6. also it shows that 18(90%) of the respondents in the category of bank officials said that Assurance has a strong positive correlation on customer satisfaction and 2 (10%) said that it has positive correlation on the customer satisfaction. These results

indicate that Assurance has very positive effects on the customers' satisfaction. Neither of the respondents showed negative opinions. The bank officials said that for them the Assurance is the degree of trust and confidence that the customer feels that the service provider is competent to supply the service. They contended that mostly this stems from the degree of confidence that the customer has in the service provider's staff.

Table 4.6: The effects of Assurance on the Customer Satisfaction in Banking

Industry in Tanzania

Area of response	Frequency	Percentage
Strongly Agree	10	50
Agree	8	40
Average	2	10
Disagree	0	0
Strongly Disagree	0	0
Total	20	100

Source: Field Data (2012)

According to the bank officials, the customer will not be satisfied if he/she does not feel assured about the competence of the service provider. Assurance shows a positive correlation with customer satisfaction in the current study. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart. The possible explanation of this finding is that the bank can instill feelings of confidence in its customers and the banks handle their customers in a professional and

competent way. Also, they pointed out that Assurance is one of the important factors for customer satisfaction.

“The behaviours of our staff instil confidence in customers. Our customers feel safe in their transactions. Our staffs are trained to be consistently courteous with customers and have the knowledge to answer customer questions”. One Bank official asserted one of the CRDB Staff emphasized the requirement to deliver on their operational promise. ‘To the customer, we are as good as our processes, and they only see us by the way in which our processes interact with the customer and so you can either take the view that I am just going to let it happen haphazardly and hope that something arrives for the customer that’s good, or I am going to take a much more conscious decision, I am going to actively monitor, measure and improve my processes so that whenever anything hits a customer, I understand the performance of that and I am doing things all the time to make it better.’

4.3.2 The Relationship Between Customers Satisfaction and Service Quality Attribute

The customers were also asked to give their views on the relationship between customers’ satisfaction and service quality attribute. Through interview customers contended that their choice and retention of a bank was in large part dependent upon the capabilities of the bank staff. Respondents on the customer category made it clear that they expected staff to possess a range of capabilities; chief amongst these was the ability to deal with the queries and grievances of customers. At the same time, respondents emphasised the need for staff to be knowledgeable of the products

and services available at the bank, and the importance of staff to be able to offer proactive and helpful advice as to which products/services would best meet the needs of customers. In this respect, the general consensus amongst respondents was that in order to offer proactive and helpful advice, it was imperative that staff had an understanding as to customers banking requirements.

In addition to the preceding capabilities, respondents were desirous of a number of other attributes from bank employees. There was an expectation amongst respondent's that staff would expend considerable effort in serving the needs of customers, and that they, (staff), would be flexible and resourceful in meeting these needs. Likewise, there was an expectation amongst respondents that staff would deliver prompt, yet reliable service, and that any mistakes made in the provision of service would be rectified efficaciously. Finally, there was a general requirement amongst respondents that they be recognised by staff as being regular clients of the bank. In fact, respondents wanted to be viewed as more than just a face in the crowd.

Table 4.7: Responses of Customers toward Reliability on CRDB Bank

Area of response	Strongly agree	Agree	Average	Disagree
Do CRDB employees perform the promised services both dependably and accurately?	7	10	2	1
Are services performed to your expectations?	6	10	3	0
Are service accomplished on time, in the same manner, and without errors every time?	8	4	2	6
Are you satisfied by the electronic machines providing services?	7	8	3	2

Source: Field Data, (2012)

The study wanted to know whether reliability leads to customer satisfaction in the banking industry in Tanzania. The findings are revealed table 4.7.

Table 8 above shows that the great majority of the bank customers, 7 (35%) of the interviewed respondents showed strong satisfaction with the CRDB employees' performance on offering the promised services both dependably and accurately, 10(50%) showed satisfaction, 2 (10%) showed average satisfaction while 1 (5%) were not satisfied. This 5% said that if they go to other bank and find better services they will definitely shift. 6(30%) of the respondents said that they were strongly satisfied with services offered by the bank staff to their expectations, 10 (50%) said that their expectations were met on normal bases while 3(15%) showed average satisfaction.

Furthermore it was noted that 8 (40%) of the respondents said that their needs were strongly accomplished on time, 4 (20%) said that they were satisfied with the duration their tasks were being processed, 2 (10%) they were averagely satisfied while 6 (30%) on contrary showed no satisfaction. Lastly it was noted that 7 (35%) of the respondents said that they were strongly satisfied with the electronic machine services, 8 (40%) were satisfied, 3 (15%) where average satisfied, while 2 (10%) were not satisfied.

Also, the study wanted to know whether tangibility to customer satisfaction in the banking industry in Tanzania. The findings are illustrated in table 4.8

Table 4.8: Responses of Customers toward Tangibility on CRDB Bank

Area of response	Strongly agree	Agree	Average	Disagree
Do CRDB bank premises conducive to you to continue getting services there?	4	10	4	2
Are you satisfied by the facilities, materials, and equipment used in the bank?	7	8	4	1
Are the buildings attractive for bank services?	10	6	4	0
Are you satisfied with the appearance of the CRDB bank's staff?	5	9	4	2

Source: Field Data, (2012)

Table 4.8 above shows that the great majority of the bank customers, 4 (20%) that were interviewed showed strong satisfaction with the CRDB bank premises, 10(50%) showed satisfaction, 4 (20%) showed average satisfaction while 2 (10%) were not satisfied. 7(35%) of the respondents said that were strongly satisfied by the facilities, materials, and equipment used in the bank, 8 (40%) were satisfied with facilities, 4(20%) showed average satisfaction while 1(5%) showed no satisfaction. Furthermore, it was noted that 10 (50%) of the respondents said that CRDB bank building were strongly attractive, 6 (30%) said that they were satisfied with the buildings, 4 (20%) they were averagely satisfied. None showed dissatisfaction. Lastly it was noted that 5 (25%) of the respondents said that they were strongly satisfied with the electronic machine services, 9 (45%) were satisfied, 4 (20%) average satisfied, while 2 (10%) were not satisfied.

Moreover the study wanted to know whether Responsiveness leads to customer satisfaction in the banking industry in Tanzania. The findings are presented in table 4.9

Table 4.9: Responses of Customers toward Responsiveness on CRDB Bank Staff

Area of response	Strongly agree	Agree	Average	Disagree
Are you satisfied with the willingness and ability of the service provided by bank staff to meet and adapt to your needs?	5	9	4	2
Are you satisfied by efficiency of bank staff in serving you timely without wasting much time in queuing?	4	6	9	1
Are you satisfied with the way staff react if a service failure occurs, the ability to recover quickly and with professionalism?	6	8	2	2
Are you satisfied with the working hours of the bank?	7	8	3	2

Source: Field Data, (2012)

Table 4.9 shows that the great majority of the bank customers, 5 (25%) who were interviewed showed strong satisfaction with the willingness and ability of the service provided by bank staff to meet and adapt to your needs, 9(45%) showed satisfaction, 4 (20%) showed average satisfaction while 2 (10%) were not satisfied. 4(20%) of the respondents said that they were strongly satisfied by the efficiency of bank staff in serving them timely without wasting much time in queuing, 6 (30%) were satisfied on normal bases, 9(45%) showed average satisfaction while 1(5%) showed no

satisfaction. Furthermore it was noted that 6 (30%) of the respondents said that they were satisfied with the way staff reacted if a service failure occurred, the ability to recover quickly and with professionalism, 8 (40%) said that they were satisfied with the buildings, 2 (10%) were averagely satisfied and 2(10%) showed dissatisfaction. Lastly, it was noted that 7 (35%) of the respondents said that they were strongly satisfied with the working hours of the bank, 8 (40%) were satisfied, 3 (15%) average satisfied, while 2 (10%) were not satisfied.

Other intention of the study was to know whether empathy leads to customer satisfaction in the banking industry in Tanzania. The findings are illustrated in table 4.10.

Table 4.10: Responses of Customers toward Empathy on CRDB Bank

Area of response	Strongly agree	Agree	Average	Disagree
Are you satisfied with the way CRDB staff approach you and language they use while serving you?	7	10	2	1
Are bank staffs sensitive to your issues to your satisfaction?	6	10	3	0
Are bank staff show efforts to understand your need and act upon immediately?	8	4	2	6
Do bank staff give you advises that suit your needs?	7	8	3	2

Source: Field Data, (2012)

The findings from table 4.10 above indicate that, the number of respondents 10 (50%) who are satisfied with the way CRDB staff approach the customers and language they use while serving them equal the number of those who were not satisfied. It was also noted that only 12 (60%) of the interviewees were satisfied with sensitivity of the bank staff on dealing with clients' issues.

Also the study wanted to know whether Assurance leads to customer satisfaction in the banking industry in Tanzania. The findings are presented in table 4.11.

Table 4.11: Responses of customers toward Assurance on CRDB Bank

Area of response	Strongly agree	Agree	Average	Disagree
Are you satisfied with bank staff competency to supply the service?	5	10	4	1
Are you satisfied by the politeness and respect shown to you by the bank staff?	6	10	3	0
Are you satisfied with the effective communication provided by bank staff to customers?	8	4	6	2
Are you satisfied with the general attitude that the bank staff has the customer's best interests at heart?	7	8	3	2

Source: Field Data, (2012)

Table 4.11 shows that the great majority of the bank customers, 5 (25%) who were interviewed showed strong satisfaction with the CRDB bank staff competency to supply the service, 10 (50%) showed satisfaction, 4 (20%) showed average

satisfaction while 1 (5%) were not satisfied. 6 (30%) of the respondents said that they were strongly satisfied with politeness and respect shown by the bank staff, 10 (50%) showed normal satisfaction while 3(15%) showed average satisfaction. Furthermore it was noted 8 (40%) of the respondents said that they were strongly satisfied with the effective communication provided by bank staff to customers, 4 (20%) said that they were satisfied, 6 (30%) were averagely satisfied while 2 (10%) on contrary showed no satisfaction. Lastly, it was noted that 7 (35%) of the respondents said that they were strongly satisfied with the general attitude that the bank staff has the customer's best interests at heart, 8 (40%) were satisfied, 3 (15%) average satisfied with the general attitude that the bank staff, while 2 (10%) are not satisfied.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings of the study and the implications of these findings. It also provides conclusion followed by detailed recommendations for improving bank services for customer satisfaction in Tanzania.

5.2 Summary of the Findings

The findings from the previous chapters indicate that improvements in the different aspects of customer retention are necessary if Tanzanian Banks are to improve its customers' satisfaction. The findings show that quality service attributes namely, Reliability, Tangibility, Responsiveness, Empathy and Assurance have positive relationship with customer satisfaction. Interpersonal communication, service performance and complaints handling, if not carefully handled may lead to customers dissatisfaction' with these aspects.

Satisfaction, on the other hand, is more inclusive as it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors. From the extraneous findings further evidence is presented that gives indication that there is a gap existing between the expectations of the customers and management perception. This truth presents definite implications to the management at CRDB bank that call for definite steps to be taken to arrest this situation.

5.3 Conclusions

The main objective of this study was to find the interrelationship between service quality, customer satisfaction and customer loyalty in the retail banking sector in Tanzania. The study sought to identify the most important attributes in bank settings, which may be used to review characteristics of the banks as experienced by customers.

Based on the findings, a medium positive correlation was found between tangibility and customer satisfaction. It means that as banks' tangibility increase, customer satisfaction also increases. Also, reliability and customer satisfaction have medium positive correlation. This positive relation means that as bank employees' performance and reliability increase, customer satisfaction also increases. The findings indicate that there is medium positive correlation between responsiveness and customer satisfaction. It means that as the willingness and ability of bank employees' increase, customer satisfaction also increases. The study findings show the large positive correlation between assurance and customer satisfaction. This means that as the assurance from bank employees' increases, customer satisfaction also increases. According to findings of this study, empathy and customer satisfaction have large positive correlation. It means that as the customer and employee interactions increase, customer satisfaction also increases.

The banks that will thrive in the future will be those that are able to focus more on their customers, rather than on the products and services, which they sell. Banks should have the interest of their customers at heart, because customers are the true

business of every company. Banks in Tanzania should not only adapt to technological advancement, but must ensure that the new employed technology makes for a prompt and a stress-free banking. There is need for each bank to apply the queuing technology to their banking system as this would help them to manage customers waiting in line, and productivity. Banks should embark on effective training and development skills that can help employees deliver prompt services to the customers.

5.4 Recommendations

From the findings of this study, a number of recommendations are provided

- i. The problem statement identified that the Tanzanian banking industry still needs to improve based on the identified variables suggested. The results of the findings of study show that customers have concerns with regard to the banks they conduct business with.
- ii. The findings presented on customer satisfaction showed that the respondents are generally satisfied to some extent with their banks with regard to services, products and banking relationship. The banks need to do researches on why customer satisfaction is low.
- iii. The findings revealed that customer loyalty to the banks exists to a low extent. This indicates that they are willing to leave or stop doing business with their banks if the need arises.
- iv. The reason why customer loyalty to banks was low could be because the customers perceived that the banks ignore them.

- v. The banks should give feedback to customers with regard to their complaints. This will make the customer feel valued and important and hence, contribute to continuously communicating with the banks and lead to increased customer loyalty.
- vi. The employees of the banks are important for effective communication between banks and customers. Once there is effective communication the trust between banks and customers will strengthen which will in turn lead to high customer loyalty. Once there is an increased level of customer loyalty to a bank, it will lead to the customer staying with the bank. This means the bank can retain the loyal customers. Therefore, if the banks retain their customers, it will lead to increased profitability.
- vii. Relationship banking is an area that is suggested to be improved upon by Tanzanian banks so as to achieve the primary objective of this study. The findings show that good relationship banking between customers and banks exist to a low extent. For banks to be profitable, relationship banking between customers and the banks should exist to a large extent. The respondents felt that the bank focuses less on individual and as a result individual needs are neglected.
- viii. The banks should note that not all customers keep up or wants to keep up with technological advancement. Therefore, banks need careful management in the context of both personalised branch-based encounters and more impersonal technology-enabled remote encounters. If good relationship banking exists between a bank and its customers there will be customer satisfaction and profitability will also increase.

- ix. Since all the dimensions of service quality attributes are positively correlated with customer satisfaction, Tanzanian Bank managers should emphasise all the service quality dimensions in maintaining and improving the service quality that they provide. Empathy shows the highest positive correlation with customer satisfaction in this study. The core concept of empathy is employee-customer interactions. Therefore, Tanzanian bank managers would be well advised to emphasise the employee training programmes so that they can offer personalized service. The main aim should be to develop a long-term relationship with the customers.

5.5 Areas for further Research

Several issues, associated with the limitations inherent in this study, require further research considerations. Future researches should concentrate on a bigger sample size and all types of retail banks [including private and foreign banks] in Tanzania. In addition, more decision making variables should also be considered in the research model

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APPENDICES

Appendix : Questionnaires for CRDB Bank Management

Section A: General Questions

1. Please, tick ☒ in the appropriate answer and fill empty spaces where necessary

[a] Organization: _____

[b] Gender: [F]/ [M] _____

[c] Please, indicate your: current position _____

Position before the current one _____

[d].Please, indicate your level of education

Doctorate []

Masters' Degree []

Postgraduate diploma []

Bachelors' degree []

Advanced diploma []

Certificate []

Others (*Please, specify*) _____

Response for Questions 1-6 are arranged in rating 1-5 where 1 is the lowest and 5 is the highest. Please, tick ☒ the appropriate box.

Please, let us know your Age _____

Sex: M ☐ F ☐

1. To what extent is CRDB BANK management encouraging workers to attend customer care training?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Least; 2=Moderate; 3=Fair; 4=Good; 5=Best

2. To what extent does CRDB BANK management provide education to the customers on the importance of using CRDB bank?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Lowest; 2=Lower; 3=Low; 4=Highly; 5= Highest

3. To what extent does CRDB BANK management provide training to the staff on how to link reliability of service and customers satisfaction?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Lowest; 2=Lower; 3=Low; 4=Highly; 5= Highest

4. How responsive are your staff in performing the promised services both to ensure the customers satisfaction?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Least; 2=Moderate; 3=Fair; 4=Good; 5=Best

5. To what extent are the employees empathy leads to customer satisfaction?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Least; 2=moderate; 3=fairly; 4=More; 5= Most

6. To what extent are the frontline staffs competent to perform the service, respect the customers and effectively communicate with the customers?

☐1 ☐2 ☐3 ☐4 ☐5 Key: 1=Minimum; 2=Moderate; 3=Fair; 4=Good; 5=Maximum

Please, fill in the blanks by giving your views

7. Who are your target customers?

☐ Corporate ☐ Retail/Individuals ☐ Business ☐ Others, mention

.....

8. What is the response of your target customers with regard to joining CRDB BANK?

.....

9. Are the customers satisfied with your services?

.....

.....

10. If the answer in 9 above is yes, to what extent are they satisfied?

.....

.....

.....

11. If the answer is no, what are the reasons for that situation?

.....

.....

12. Which are the common complaints from your customers?

.....

.....

.....

13. Which services (benefits) are offered by CRDB BANK but not familiar to
employees (customers)?

.....

.....

.....

14. Are there any customers who have withdrawn from CRDB BANK? (Give
reasons for your answer)

.....

.....

.....

15. How many CRDB BANK customers are served by CRDB BANK in the country?
16. Is the target number of customers to be served by CRDB BANK achieved?
17. If achieved, to the extent (in percentage) and what might be the reasons behind the success and if not why?
18. What are strategies used by CRDB BANK for mobilizing customers to join CRDB BANK?
19. What are challenges facing CRDB BANK in mobilizing workers (customers) to join the bank?
20. What are the suggestions for improving the customers' responsiveness in joining the bank?
21. What are the main products and services of CRDB Bank?

22. Are the bank branches having the customer care desk?

.....

.....

25. How many customers' complaints are you receiving in a day?

.....

26. What are your suggestion on improving CRDB bank performance?

.....

.....

.....

Appendix ii: Questionnaires for CRDB BANK Frontline Employees

Please tick ☒ the appropriate box and fill in the blank spaces provided in front of the questions

Section A: General Questions

1. Please, tick ☒ in the appropriate answer and fill empty spaces where necessary

[a] Organization: _____

[b] Gender: [F]/ [M] _____

[c] Please indicate your: current position _____

: Position before current one _____

[d] Please, indicate your level of education

Doctorate []

Masters' Degree []

Postgraduate diploma []

Bachelors' degree []

Advanced diploma []

Certificate []

Others (*Please specify*) _____

Your age..... Sex.....

1. Are you dealing directly with CRDB BANK client ☐ YES ☐ NO

2. If yes how frequently?

.....

.....

3. Are the customers satisfied by your ability to perform the promised services both dependably and accurately?

.....

4. What measures do you take to solve these complaints?

.....

5. What benefits are the CRDB BANK clients getting from your CRDB BANK services products?

.....

6. Are your services reliable?

.....

7. Are your services Tangible?

.....

8. Are your services responsive to customers?

.....

9. Do your services meet assurance to customers as with regard to service quality?

.....

10. Do your services to customers meet the sympathy level as with regard to service quality?

.....

11. Are the customers satisfied with your daily services? Can you explain a little bit on their satisfaction?

.....

.....

12. Can you explain how and if you have ever used the suggestion box in your daily activities?

.....

.....

13. Can you suggest what can be done so that you can increase number of your customers?

.....

Do you think your customer knows well about your organisation's investment?

.....

Do customers know your products and services offered by CRDB BANK?

.....

.....

Do they complain to any products and services Offered by CRDB BANK?

.....

.....

What do they say about your product and services?

.....

.....

What are your suggestions on improving CRDB bank performance?

.....

Annex III: Questionnaires for Customers

Section A: General Questions

1. Please, tick ☒ in the appropriate answer and fill empty spaces where necessary

[a] Organization: _____

[b] Gender: [F]/ [M] _____

[c] Please, indicate your: current position _____

: Position before current one _____

[d] Please, indicate your level of education

Doctorate []

Masters' Degree []

Postgraduate diploma []

Bachelors' degree []

Advanced diploma []

Certificate []

Others (*Please specify*) _____

Section B: Specific Questions

1. Are you a customer of CRDB BANK?

.....

2. When did you join CRDB BANK?

.....

.....

3. Why did you decide to join CRDB Bank and not other banks?

.....

.....

4. Are you satisfied with the services offered by the bank officers?

.....

.....

5. Do the bank officers use polite languages when serving you?

.....

.....

6. Does the bank have the effective and efficient facilities?

.....

.....

7. Do the bank staff give advisory information to you when required to do so?

.....

.....

8. Do the CRDB BANK staff give you quality services when you meet them
for any service?

.....

.....

9. What make you happy or unhappy when meeting these staff?

.....

.....

10. Do they attend you politely and serve you in time?

.....

11. Do you think CRDB Bank Staff have customer care knowledge?

.....

12. Are you satisfied by the strategies used by CRDB bank in serving customers? (Give reason for your answer).....

13. Give the general level of satisfaction of the CRDB BANK services.

70%-100% ☐ 50%-70% ☐ 20%-50% ☐ 10%-20% ☐ Bellow 0% ☐

14. What do you think could be done to improve the customer service in the banking industry in Tanzania?

Thanks for your cooperation