**THE EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION: A CASE OF I & M BANK (T) LTD**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA**

**2017**

# CERTIFICATION

The undersigned certify that he has read and hereby recommends for acceptance by The Open University of Tanzania, a dissertation titled; “The Effect of Service Quality on Customer Satisfaction: A Case of I & M Bank”, in partial fulfilment of the requirements for the degree of Master of Business Administration of The Open University of Tanzania

…………………………………….

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# ............................................

Date

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I, Norah Gervas Mtui, do hereby declare that this dissertation report is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

....................................................

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.................................................

Date

# DEDICATION

This dissertation is dedicated to my parents and my family for their encouragement. They always say, “Study hard for your betterment and betterment of our family” and their words encouraged me to continue struggling. I, therefore, have every reason to applaud them very high for their support, love and encouragement throughout my MBA programme.

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Also, I take note of the enjoyable memories of co-operation from my fellow mates during the master’s degree programme. I would further wish to thank I&M Bank (T) Ltd. for giving me permission to conduct the survey to various customers at their respective branches in Dar Es Salaam and upcountry.

# ABSTRACT

The objective of the study was to assess “The Effects of service quality on customer satisfaction”, a case of I&M Bank (T) Ltd. The methodology used to conduct this study was Descriptive statistics comprising tables and percentages which were used for data presentation and analysis, also multiple linear regression model was used.The study focused on Dar es Salaam and upcountry branches with 171 customers constituting the sample size. Service quality dimensions (responsiveness, assurance, reliability, tangibility and empathy) were independent variables while customer satisfaction was dependent variable. Data analysis was done using Statistical Package for Social Sciences (SPSS).This study was measured under five dimensions of SERQUAL model. The findings revealed that there were strong relationship between dependent variables and independent variables. It was also revealed that customer satisfaction with I&M Bank is affected by two dimensions; (responsiveness and reliability). The conclusion was that the service dimensions used in the analysis to determine customer satisfaction. It was recommended that policy makers should opt from the service dimensions to improve the quality of services to service companies.

**Key words**: service quality and customer satisfaction.

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# LIST OF ABBREVIATIONS

CRDB Cooperative Rural Development Bank

I&M Investment and Mortgage

IT Information Technology

LTD Limited

NBC National Bank of Commerce

# CHAPTER ONE

# 1.0 INTRODUCTION

# 1.1 Chapter Overview

Having quality of service in service organizations like banks is a key factor for satisfying bank customers and hence increased bank performance. This study aimed at looking for the effects of service quality on customer satisfaction. Under this chapter, the following are presented; background of the problem, statement of the research problem, objectives of the study, research questions and significance of the study. Also, the chapter shows the scope of the study that assisted to provide a way forward to research activity and finally it presents the layout of this report.

# **1.2 Background of the Problem**

The impact of various banking business has been mostly measured by service quality for a long time (Kang and James, 2004). Service quality is an approach to manage business processes and is important for the development and growth of service industry (Rahaman*et al*., 2011). It works as the factor of customer satisfaction with the increase of the importance of service sector in Tanzania economy, the measurement of service quality become important for business purpose.

In every business, customers are most important for the growth and performance of the respective business. There are basically two major kinds of customers namely; difficult customers and humble customers. However, most of the businesses are striving to ensure that their customers acquire the quality and expected service from them. Difficult customers have been divided into four categories; critical, hurried, loud and late customers.

Critical customers are those customers who always need to know every single detail and complain on the raised issue and need the solution, hurried customers always need their problems to be solved as soon as they have been realized, loud customers are the customers who talk loud to attract the attention of other customers; they always have no secret when requiring for the service, and late customers are those customers who always approach the business premises at the time of closing the day business activities. Clemmer (2007) affirms that for most companies, the action of improving customer service is an article of faith. Normally, the process of improving an organization’s service/quality goes hand in hand with the customer services. However knowing the types of these customers makes it better when offering them services at the appropriate quality.

# 1.3 Statement of the Research Problem

The provision of quality service is the major concern of most of service organization especially, thebanks. The success or failure of most of the banks can be viewed and measured through the satisfaction of their customers on the services provided. According to Joseph (2000) customers and general public have never been impressed by the services offered across these banks counters. Customer satisfaction influences customer loyalty and retention. But the negative effect cause customer defection which is the loss of customers and it was experienced in the respective commercial banks because of the poor service (Maingu, 2000).

Banks always ensure that they maintain their customers at whatever cost they have planned through providing what is required by them in a timely manner to enable them attain the maximum satisfaction on the banks services and product offered to their customers. Customer satisfaction is perceived as the major factor to consider in banking industry since it yields to increase in sales and generate profits for the organization. Overall, improved quality of service and customer satisfaction automatically increases the overall performance of the organizations.

This is well fostered and realized by adequate service delivery which is referred to as the service quality which is mostly based on several dimensions with commonly known as RATOR analysis constituting reliability, assurance, tangibility, empathy and responsiveness (Joseph, 2000). This has been a major issue of concern in most Tanzanian banks pertaining to service quality as in most cases they are not sufficient as ques have been persisting, sometimes in some banks there may be five to six tellers but only one or two are operational and others left open and several other dissatisfactions (Heale & Wong, 2010). With that, banking institutions need to understand the relationship between the service quality and the customer satisfaction for them to achieve their mission, visions and objectives of the organization. Therefore, the study seeks to examine the relationship between the customer satisfaction and service quality in Banking Industry in Tanzania.

# 1.4 Research Objectives

# 1.4.1 General Objectives

Main objective of the study is to investigate the effects of service quality on customer satisfaction.

# 1.4.2 Specific Objectives

1. To determine the effects of service quality on customer satisfaction at I&M Bank (T) LTD.
2. To determine the relationship between service quality and customer satisfaction at I&M Bank (T) LTD.
3. To determining factors influencing customer satisfaction on quality of service provided by I&M Bank (T) LTD.

# 1.5 Research Questions

For the study to attain the above named objectives, answers for the questions were sought:

1. What are the effects of service quality on customer satisfaction at I& M Bank (T) LTD?
2. Is there any relationship between service quality and customer satisfaction provided to customers at I& M Bank (T) LTD?
3. What are the factors influencing customer satisfaction on quality of service delivered to customers at I& M Bank (T).

# 1.6 Significance of the Study

The findings of the research study can be relevant in several ways. First, it contributes to the fulfillment of the master’s degree of Business Administration study. Secondly, the study would assist the banks to embark on creativity and initiatives which will enable them to provide quality services to their esteemed customers hence increase the bank performance and credibility also will help banks management to point the factors that make customers satisfied with the services provided. Well enough, the study presents some key information as a continuation of research gaps that were covered from previous studies. Furthermore, it will enable the policy makers to adopt from service dimensions to improve on the provision of quality services to service companies. Finally, the study has a significant contribution to the customers who acquire services from service quality companies to be provided with the satisfied quality services.

**1.7 Scope of the Study**

The study on the effects of service quality on customer satisfaction was conducted at I & M Bank in Dar es Salaam and upcountry branches. The study gives the relationship between service quality and customer satisfaction. Also, the study shows the factors that affect the customer satisfaction. The targeted population was a sample from customers as well as the employees who acquire the I & M bank services.

# 1.8 Organization of the Study

It comprises the background information to the problem, statement of the research problem, research objectives and research questions. It also shows the significance of the study. The second chapter provides definitions of key terms, theoretical perspectives, empirical review of the literature, conceptual framework and the y research gap. Chapter three provides discussion on methodological concerns. It displays the research design, research approach, sampling methods and the sample size taken. The chapter ends with issues regarding data collection, data analysis, reliability, validity and ethical matters. Chapter four shows the research findings and gives interpretation and discussion of the findings. Chapter five presents discussion of the findings. Lastly, chapter five summarizes the major findings of the study. It shows the conclusions and policy implication of the study and then ends by showing the limitations of the study and finally suggests new areas for research.

# CHAPTER TWO

# 2.0 LITERATURE REVIEW

# 2.1 Chapter Overview

Various sections have been discussed namely, definitions of key concepts; including customer, customer service, theoretical perspectives, and empirical review of literature on the effects of service quality on customer satisfaction. Here contribution of other authors on the subject was considered and conceptual framework constructed. Finally the relationship between customer satisfaction and service quality is discussed.

# 2.2 Conceptual Definitions

Main terms are discussed in this section. These are customer, service quality and customer satisfaction. The terms are presented below as follows.

**Customer:** A customer plays an important role in the performance of a any business organization operating in a particular business environment. For continual survival and success of the business organizations, customers, need to be attracted with the service provided as well as retained.

Looy*et al*(2003) customer is a person who buys goods and services produced by another person or entity. Normally, there are two kinds of customers; these are internal and external customers. Therefore, external customers involve those demanding for service or help, but internal customers involves employees of the company/business and co-workers from other departments in the organization. This study will concentrate much on external customers who are normally categorized into two further groups namely; difficult customers and other customers. Difficult customers are those who always not willing to appreciate the service provided while other customers are those when given them services do accept it without much complains. Hornby (1989), in the Oxford dictionary, defines the customer as a person who buys something from a tradesman, shop and so on.

**Service quality:** According to Lewis and Booms (1983) giving quality service to the customer shows that meeting the customer expectations frequently. Parasuraman et al. (1985) defines service quality as the degree and direction of discrepancy between consumer’s perceptions and expectations, which can affect their future purchasing behaviour. From the view point of the customer, quality means fitness for use and can meet the satisfaction of the customer. Service Quality is important measure that affect the competitiveness of Banking business. Banks should consider the increase of quality of services provided constantly since there is no much assurance that the current service is also suitable for future period.

Gronroos, (1982) defined service quality in two types these are technical quality and functional quality, whereby Functional quality is the manner in which the service is offered while Technical Quality is what the customer is actually receiving the from the service provided. Various models have been developed to explain the service quality, and these are: Nordic model (Gronroos 1984). SERVQUAL model (Parasuraman et al 1985), Multilevel model (Dabholkar et al 1996) and Hierarchical model (Brady and Cronin (2001). As stated by Markovic and Jankovic (2013), service quality is measured using SERVQUAL instrument which consists of 22 items which measure five service quality dimensions. These are:

**Tangibles** which include physical facilities, equipment and appearance of the employees. Markovic and Jankovic (2013).

**Reliability** which refers to the ability to perform the promised service dependably and accurately. Markovic and Jankovic (2013).

**Responsiveness** is the willingness to help customers and provide prompt service. Markovic and Jankovic (2013).

**Assurance** means knowledge and courtesy of employees and their ability to inspire trust and confidence. Markovic and Jankovic (2013). Lastly is;

**Empathy** is described as caring and individualized attention the firm provides to the customers. Markovic and Jankovic (2013),

**Customer Satisfaction:** Lovelock (2004) conceptualizes customer satisfaction as an individual’s feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation. According to Lovestock and Wirtz (2007), customer satisfaction is a consumer’s post-purchase evaluation and affective response to the overall service experience. Customer satisfaction is a psychological concept that involves the feeling of well being and pleasure that result from obtaining what one hopes for and expects from appealing product and/or service Kotler and Keller, 2006). On the other hand, in the cumulative customer satisfaction perspective, it is conceptualized as an overall customer evaluation of a product or service based on purchase and consumption experiences over a time period (Lovelock and Wirtz, 2007). Lovelock and Wirtz argue that since cumulative satisfaction is based on a series of purchase and consumption experience, it is more useful and reliable as a diagnostic and predictive tool than the transaction perspective that is based on a one-time purchase and consumption experience.

**Concept of Customer Satisfaction:**Satisfaction is the situation whereby the expectations of the customer are fulfilled according to the need of the customer (Hasemark and Albinsson, 2004 cited in Singh, 2006:1).

**Customer Perception on Service Quality:**Customer perception on service quality is the process by which the customer organizes, interprets information, and selects inputs to create the meaningful picture of the brand or product. So the quality of service offered by the entities will always be perceived differently by different groups of customers in the society. According to Gronroos (2001), “quality is what customers perceive”. Moreover, the entities are required to know their customers and what they need from the entities. Banks play a vital role and the existing banks strive to get the same customers for their development and survival, this makes it so important to serve the customers better than what they expect to get from the entities.

Zeithaml et al. (2006) define service quality as the customers’ perception of the service component of a product, and a critical determinant of customer satisfaction.

This however is a perception and not an actual experiencing of the service itself. The major emphasis is laid on the customer perceived service quality, which is born out of experience. As Zeithaml et al. (2006) point out that, the entire discussion of the service quality and satisfaction is based on customers’ perception of the service and not some predetermined objective criteria of what service is, or should be. Looy et al. (2003), and Gronroos (2001), suggest five dimensions to service quality that customers judge a service by, ranging from the service process to the outcomes which are classified as tangibles, reliability, responsiveness, assurance, and empathy.

**Service Quality Measurement:** Service quality measurement is a model which entails to give a brief explanation on how service quality can be well practised and fostered by respective businesses (Brady & Cronin, 2001b; Kotler& Armstrong, 2007). The model shows how best the business can foster and facilitate customer service process and deliveries for the greater good of the business.

**2.3 Theoretical Literature Review:** A theory is a statement of how and why specific facts are being related.

**2.3.1 Theory of Servqual**

SERVQUAL which is the model in service quality advocated byParasuraman,*et al*. (2005)This is an instrument which is often used to make an assessment on the customer satisfaction in service industries. It measures the quality by comparing customer perception of the quality of the service experience to customer expectations for that experience. The instrument is based on the overlapping dimensions of service quality that eventually distilled down to five dimensions.

# Table 2.1: SERVQUAL Dimensions of Service Quality

|  |  |  |
| --- | --- | --- |
| **DIMENSION** | **DESCRIPTION** | **EXAMPLE FOR A BANK** |
| **Tangibles** | Physical facilities, equipment and appearance of personnel | ATM access; lobby layout. |
| **Reliability**  | capacity to provide the prompt service accurately and dependably within a reasonable time | Promised deadline are met. |
| **Responsiveness** | Willingness to assist customers and offer accurate service. | Quickly respond to customers’ request. |
| **Assurance** | Courtesy and knowledge of staff and their ability to impose confidence and trust. Towards customers. | Trustworthiness; secure environment around ATMs. |
| **Empathy** | Individualized and caring attention the firm provides to the customers. | Personal attentive to customers,. |

**Source:** Parasuraman*et al*.(2005)

The model clearly relates to the study on the grounds that service qualityconstitutesparameters as provided and stated by the model which are reliability, assurance, tangibility, empathy and responsiveness. Theseparameters are the direct measures and determinants of service quality in any business entities to the extentthat in banks as financialthey are crucial as theypositively fit to carter for customer service inadequate and efficient manner.

**2.3.2 Theory of Assimilation**

According to Festinger’stheory of dissonance (1957) forms the basis for the theory of assimilation states that the ‘’users make a sort of cognitive judgement between the expectations regarding the product and its performance’. If thereis an inconsistency between prospect and the product’sperceived performance, the dissonance will not fail to appear.This point of view on post-usage evaluationwasintroduced in the literaturediscussing satisfactionunder the form of theory of assimilation (Anderson 1973).

According to Anderson, the consumerstry to avoid dissonance by adjustingtheir perceptions of a certain product, inorder to brin git closer to their expectations. In a similarway, the consumer scan reduce the tension resultedfrom the discrepancy between expectations and the product’s performance, both by distorting the expectations sothattheycouldbe in agreement with the product’s perceived performance, and by increasing the level of satisfaction through reducing the relative importance of experimentaldisconfirmation (Olson and Dover 1979).

The theorypresume the consumers are motivatedenough to adjustboth expectations and theirproduct performance perceptions.If the consumersadjusttheir expectations or product performance perceptions,dissatisfactionwould not be a result of post-usage process.Olson and Dover (1979) explainthat consumer canreduce the tension resultingfrom a discrepancybetween expectations and product/service performance either by distorting expectations sothattheycoincidewith the perceivedproduct performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.Some researchers have discovered that the control on the actual product performance can lead to a positive relationshipbetween expectations and satisfaction (Anderson 1973). Consequently, it is assumed that dissatisfaction could never appear unless the evaluation process began with the customers’ negative expectations.

Assimilation theoryinvolvesnumber of deficiencynamely, the approach assumes that thereis a relationship between expectations and satisfaction,but it does not specify the way in which the expectation disconfirmation can lead to fulfillment or dissatisfaction. Moreover, the theory posits that clients are motivatedenough to adjusteithertheir expectations or their perceptions about the performance of the product.Someresearchers have foundthatcontrolling for actualproduct performance can lead to a constructive relationshipbetween expectation and contentment. Therefore, it would appeart hat dissatisfaction could never occurunless the evaluative processes were to begin with negative consumer expectations. (Peyton*et al* 2003).

**2.4 Research Gap**

Many Authors try to scrutinize the Banking Industry on the area of service quality and customer satisfaction. Different researchers use various studies but all base on the same sector. Maingu (2000), Wilbert (2000) and Murihano (2006) of Tanzania. (Gronroos 2008), (Gronroos 1984) and (Coye 2004) of Abroad. Thus this study covers the gap examining the effect of service quality on customer satisfaction from common switching barriers

**2.5 Conceptual Framework**

This research sought to examine the relationship between customer satisfaction and service quality in the banking industry in Tanzania taking I&M Bank as a case study as presented in Figure 2.1.

 TC "**2.4**

Service Quality

Delivery

* Reliability
* Responsiveness
* Assurance
* Empathy
* Tangibles

Customer Satisfaction

**Independent Variable Dependent Variable**

**Figure 2.1: Conceptual Framework**

**2.5.1 The Relationship Between Service Quality And Customer Satisfaction**

Empirical findings indicated that service quality is related to customer satisfaction (Babakus et al., 2004). However, quality services attracts customers investment in a particular service delivery organization, basing on this fact majority of service providers invest much on provision of quality service to customers which will eventually attract customer to prefer their services against competitors.

#

# CHAPTER THREE

# 3.0 RESEARCH METHODOLOGY

**3.1 Chapter Overview**

This chapter presents various techniques which were used in conducting the entire study.The following are covered namely, the research design, research approach, study location, target population and sampling plan as well as sample size. Other issues covered in this chapter are data collection methods, data collection procedure, reliability, validity and methods of analyzing data.

**3.2 Research Design**

Claire Selltiz and others, (1962) defined research design as the arrangement of relevance to the research purpose with economy in procedure. Decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitute research design (Kothari 2004). The cross-sectional research was employed to collect information.Data will be collected at one point in time or a single session on several variables such as age, sex and education. The researcher selected cross section research design since it is easy and inexpensive.

The researcher selected survey strategy as they allow the collection of a large amount of data from a sizeable population in a highly economical way. The survey strategy allows collection of quantitative data which was analysed quantitatively using descriptive and inferential statistics. The strategy gives more control over the research process and when sampling is used, it is possible to generate findings that are representative of the whole population. The survey design employed the predetermined questions which were administered by the researcher to examine the effects of service quality on customer satisfaction at I&M Bank.

# 3.3 Research Approach

This research involved mixed methods approach. Quantitative and qualitative methods were triangulated in an attempt to improve reliability and validity of the findings. Triangulation started from data sources to methods of data collection as well as analysis. Based on that, it was expected that credibility of the research findings was maintained. Indeed, the approach employed in this study was well encored on the research design adopted because, descriptive survey design lies somewhere in the middle of the quantitative–qualitative research approach continuum as pointed out by Gill and Johnson (1992).

# 3.4 Study Area

## I&M Bank wasthe area whereby the research was conducted at the branches located in Dar es Salaam Region and upcountry branches theseare Maktaba Branch, Kariakoo Branch, Main Branch, Oysterbay Branch, Quality Centre Branch, Moshi Branch and Mwanza Branch.

## Respondents were sampled from the branches of the Bank and were asked for the consent before the questionnaires were distributed to them. The area was considered due to some factors, one of themit is whereby the different type of customers are available who provided the accurate data as per research conducted. Also it was economically to conduct the research at I&M Bank.

# 3.5 Population Sampling Techniques

## In the survey simple random technique was undertaken to obtain the sample

## participants for study. This involves the probability sampling at which all members have the probability to be selected to formulate a sample (Adam and Kamuzora, 2008). The application of this method gives the participant an independent and equal chance of being selected. The sampling technique is applicable on the population which have the same characteristics (Shaughnessy *et al*., 2000).The application of simple random in this survey is due to the fact that it is simple to apply.

In this study the population of the study which was used was 300 respondents .With regard to the sample size, the researcher applied a simplified formula provided by Yamane(1967) as cited by YilmaMuluken to determine the minimum required sample size at 95% confidence level,degree of variability=0.5 and level of precision(e) =0.05.

 n = N

 1+Ne2

Where n is the sample size, N is the total number of study population,1000

Where e is the level of precision

 n= 300/ (1+300\*0.05^2)

 n= 171.43= 171 respondents.

Therefore the required sample size of the respondents was 171.

# 3.6 Sample Size

Kothari(2004) defines a sample as a collection of some parts of the population on the basis of which judgment is made,small sample for convenient data collection and large enough to be a true representative of the population from which it has been selected.This refers to the number of items to be selected from the universe to constitute the sample .This major problem before a researcher ,the size of sample should neither be excessively large,nor too small.It should be optimum.An optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility.(ibid).

A sample size of 171 respondents at I&M Bank was considered. This was done with the aim of ensuring accessibility, easy management and cost reduction on data collection by the researcher.

# 3.7 Variables and Measurement Procedures

# 3.7.1 Independent Variable

Service quality involves five dimensions namely reliability, responsiveness empathy, assurance and tangibles. I&M employees are dependable in handling of the customer’s service queries and timely way (reliability). I&M employees provide prompt service to customers (responsiveness). I&M employees provide attention in handling customers’ requests (empathy). I&M employees feel confidence in dealing with their customers (assurance). I&M have modern equipments and attractive premises.

# 3.7.2 Dependent Variable

In this survey satisfaction of a customer was measured using 16 questions which are in a Likert scale format. Scale ranged from 1 to 5 (1 showing strongly disagree with the proposition, and 5 showing strongly agree with the proposition).

# Table 3.1: Variable and Measurement Procedures

| **Variables** | **Concepts** | **Dimensions** | **Indicators** | **Scale** |
| --- | --- | --- | --- | --- |
| Service Quality | Conceptualized as dimensions of service quality that lead to customer satisfaction | Reliability | 1. Employees providing services as promised by the company.2. When customer has a complain, employees show readiness to handle the problem.3. I&M performs right service at the first time.4. They offer their services within the prescribed time.5. I&M keeps the customer records accurately. |  |
|  |  | Responsiveness | 1. Employees keep in touch with the customer on when the service will be given.2. Prompt service is given to the customers by employees.3. Employees have willingness to serve customers.4. I&M employees respond to customers’ requests. |  |
|  |  | Tangibility | 1. I&M have modern equipment like computers, ATM and teller counting machine.2. I&M physical facilities are visually appealing.3. I&M Bank staff have smart and neat professional appearance.4. Physical environment of I&M bank premises are clean. |  |
|  |  | Assurance | 1. I&M staff impose confidence in their customers2 Customers feel safe with Their money at I&M Bank.3. Employees are polite and kind to customers.4. Employees have knowledge with the customers’ requests. |  |
|  |  | Empathy | 1. I&M Bank staffs Give customers Individual Attention.2. Employees attend customers in the caring manner.3. I&M Bank has customers’ best interest in the heart.4. I &M Bank staff understand specific needs and wants of their customers.5. Working hours Of I&M Bank is convenient to the customers. |  |
| CustomerSatisfaction | Conformance between the perceived performance and customer expectations. |  | 1. Items Likertscale used. |  |

# Source: researcher, 2017

**3.8Data Collection Methods**

Structured questionnaire in the form of closed ended questions are prepared so as to get to information on the demographic, cultural and historical factors which relate with the service quality and customer satisfaction. Closed ended and open ended structured questionnaires were included so as to get results on the data collected. Moreover, in some questions respondent erre asked to clarify the reasons for their responses.

**3.9 Data Processing and Analysis**

Data was processed and analyzed by Statistical Package for Social Sciences (SPSS) version 16.0. Regression model and descriptive data analysis of quantitative were done where frequencies and percentage were presented in tables and graphs.

**3.9.1 Multiple Regression Analysis**

This particular study used multiple linear regression models. Multiple regressions is the tool which is used to investigate the relationship between variables. It is also used to develop a better understanding of the relationship between a dependent variable and a set of independent variables (Wakefield & Baker, 1998).

Multiple regressions have been used to make assessment of the determinants of customer satisfaction. It is built on the following assumptions: i) Regression assume that there is little or no multicollinearity in the data; ii) Linearity and additively of the relationship between independent and dependent variables, the expected value of dependent variable a straight line function of each independent variable, holding the others fixed; iii) normality of the error distribution(meaning that errors of the response variables are un correlated with each other) (Berry and Feldman, 1985); iv)The model assumes a constant variance (homoscedasticity) of the errors. Test statistics such as variance factoran indicator (multicollinearity), link test (model specification) and normality were used during analysis.

N (customer satisfaction) = (responsiveness, reliability, tangibles, assurance, empathy)

*N = C+ M1RESP+ M2 REL+M3TAN+ M4 ASS+M5 EMP+* ε

Where α = Constant

M1 = Responsiveness (RESP), M2 = Reliability (REL), M3=Tangibility (TAN), M4 = Assurance (ASS) and M5 = Empathy (EMP)

M=Coefficient

ε = Error

# CHAPTER FOUR

# 4.0 PRESENTATION OF FINDINGS/RESULTS

# 4.1 Chapter Overview

This chapter presents presentation and analysis of results/findings which are organized based on the study objectives. Thus, the chapter comprises demographic characteristics of the study population, customer’s response on service quality provided by I&M Bank, factors affecting customer satisfaction, level of customer satisfaction on service offered and the relationship between service quality and customer satisfaction. The sample size of the study was 171participants and fortunately all of them responded.

# 4.2 Validity and Reliability Analysis

The conclusion of any research can be affected by either the researcher’s subjective judgment or researcher’s bias in the data collection process as suggested by Yin (1994). Since validity was accomplished through pilot testing of the questionnaire as the research tool, reliability was conducted through Cronbach Alpha test measurement which was indicated in Table 4.1.

# Table 4.1: Cronbach Alpha Test

|  |  |  |
| --- | --- | --- |
|  | **Cronbach’s Alpha**  | **Number of items**  |
| Effects of service quality | 0.862 | 4 |
| Service quality relationship | 0.912 | 4 |
| Factors influencing service quality | 0.831 | 4 |
| Customer satisfaction | 0.783 | 3 |

**Source:** Field Data (2017)

Table 4.1 shows the Cronbach Alpha values whereas Ritter (2010) suggests that values from 0.6 and above implies that values are reliable. Therefore, the table indicates that Cronbach Alpha values range between 0.783 and 0.912 which implies that the construct were reliable for further analysis.

# 4.3 Respondents Characteristics

Respondents were supposed to indicate and state their demographic information which serves as essential for analysis as far as the study is concerned. The major issues captured to be important and crucial were age, sex and the level of education. They were indicated as follows:

# 4.3.1 Age

Findings were as indicated in Table 4.2.

# Table 4.2: Respondents Age

|  |  |  |
| --- | --- | --- |
|  | **Frequency**  | **Percent** |
| Below 30 years  | 35 | 20.5 |
| 31-40 | 72 | 42.1 |
| 41-50 | 48 | 28.1 |
| Above 50 | 22 | 12.9 |
| Total | 171 | 100.0 |

**Source: Field Data (2017)**

It can be seen in Table 4.2 that 35 respondents (20.5%) were aged between below 30; 72 respondents (42.1%) were aged between 31 and 40; 48 respondents (28.1%) were aged between 41 and 50; and 22 respondents were above 50 years of age. It implies banks consist of both customers and practitioners as employees of all age categories serving as either customers or employees.

This is acknowledged by Lovelock (2007) that in ensuring service quality among businesses, banks for instance are business entities which accept and serve customers as well as practitioners as employees of different age categories whereas for customers infants to adults and elderly are customers and well served. Employees as practitioners consist of those aged below 30 up to above 50 years.

# 4.3.2 Sex

Findings on gender were as indicated in Table 4.3.

# Table 4.3: Respondents Sex

|  |  |  |
| --- | --- | --- |
|  | **Frequency**  | **Percent** |
| Male  | 91 | 53.2 |
| Female  | 80 | 46.8 |
| Total  | 171 | 100.0 |

**Source:** Field Data (2017)

It is indicate that 91 respondents (53.2%) were male and 80 respondents (46.8%) were female. This implies that banks whether commercial and otherwise as financial entities take and incorporate customers and employees regardless of their gender. This is in line with Agyapong (2011) that service quality applies to customers and practitioners in the business and service providers that they apply to all without discrimination from gender or any other form.

**4.3.3 The Level of Education**

Respondents were required to state their education status for further analysis pertaining to competence of the respondents. Findings were shown in Table 4.4.

# Table 4.4: Respondents Education Level

|  |  |  |
| --- | --- | --- |
|  | **Frequency**  | **Percent** |
| Diploma  | 36 | 21.6 |
| Degree Levels  | 134 | 78.4 |
| Total  | 171 | 100.0 |

**Source:**Field Data (2017)

It is indicated in Table 4.4 the level of education of respondents that 134 (78.4%) were degree holders consisted of various levels such as bachelors, masters and doctorates. The remained 36 respondents (21.6%) were diploma holders. This implies that all issues regarding provision of comments in written documents which are formal concerning banks require individuals whether customers or practitioners with good level of understanding in terms of knowledge and skills because most of the issues to deal with and give suggestions are technical.

The view is in line with Goldwaite (2005) that banks issues and affairs to be assisted by advise or comments require people whether customers or employees with a certain degree of understanding especially on things involving writing based on individual capacity since most of the tasks are technical to the extent that only those capacitated can give their comments through formal writings. Though, feedbacks and customers as a whole include everyone both educated and none educated and all are considered and served equal.

# 4.4 Analysis of the Study Findings

Findings of research were analyzed using standard deviation and mean to indicate the variable which influences more the dependent variable among independent variables. Thereafter, results were clearly presented through correlation and regression analysis to show the individual contribution of each and every independent variable on the dependent variable. The analysis was as follows:

# 4.4.1 Mean and Standard Deviation

Mean and standard deviation were tested and condcuted to all independent variables and the dependent variable to determine the required measure (Table 4.5).

# Table 4.5: Mean and Standard Deviation

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Mean**  | **Standard Deviation**  | **N** |
| Customer satisfaction | 5.432 | .5145 | 111 |
| Effects of service quality | 5.686 | .5668 | 111 |
| Service quality relationship | 5.869 | .5786 | 111 |
| Factors influencing  | 5.763 | .5598 | 111 |

**Source: Field Data (2017)**

Table 4.5 indicates findings on mean and standard deviation of the variables to show howindependent variables influence dependent variable most than the others in the data set. The findings show that service quality relationship influences more the dependent variable than other independent variables in the data set. This is due to the fact that the variable has the highest mean score value than others which shows to influence the dependent variable most than the other independent variables. The standard deviation on the other hand indicates that values were not far apart from one another by far which implies that respondents did not differ much on their opinion.

# 4.4.2 Correlation and Regression Analysis

The analyses were used to indicate the individual contribution of each and every independent variable on the dependent variable. However, the analysis was first preceded by model fitness test to indicate the overall contribution of the independent variables on the dependent variable. Model fitness analysis is shown in Table 4.6.

# Table 4.6: Model Fitness

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Model** | **R** | **R square** | **Adjusted R Square** | **Std error of estimate** | **Change statistics** | **Durbin- Watson** |
| 1 | .915 | .785 | .750 | 56.085 | .423 | 98.442 | .000 | 1.998 |

**Source:** Field Data (2017)

Table 4.6 shows the overall contribution of independent variables on dependent variable through the value of R2. The study, for that matter, shows that 78.5% of customer satisfaction in I& M Bank Limited is influenced by the effects of service quality, service quality relationship and several factors influencing service quality. The value yields the F- ratio of 98.44 which is significant at (p < .001). The Durbin- Watson statistic indicates clearly that the assumptions as hypotheses are positive and have been tenable and met.

**4.4.2.1 Correlation Analysis**

Findings and analysis are indicated in Table 4.7.

# Table 4.7: Correlation Analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Customer satisfaction | Service quality effects | Service quality relationship | Factors |
| Person corr. | Customer satisfactionService quality effectService quality relationshipFactors | 1.000.574.591.383 | .5741.000.101.080 | .591.1011.000.101 | .383.080.1011.000 |
| Sig. (1-tailed) | Customer satisfactionService quality effectsService quality relationshipFactors | 1.000.000.612 | .0001.076.002 | .000.0761.030 | .000.012.0301 |
| N | Customer satisfactionService quality effectsService quality relationshipFactors | 111111111111 | 111111111111 | 111111111111 | 111111111111 |

**Source:** Field Data 2017

It is shown in the Table 4.7 that the highest correlation was between service quality relationship and effects of service quality which is at a significant level. Though, the highest correlation was on service quality relationship which is the indication that the variable influences customer satisfaction thanthe dependent variable. Despite the significance of the correlation, the coefficient is small which implies there is no multicollinearity. This shows that there is a problem which can be solved by multiple regressions.

**4.4.2.2 Multiple Regression Analysis**

Finally multiple regressions for all three independent variables were shown in Table 4.8.

# Table 4.8: Multiple Regression Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model** | **Unstandardised Coefficients** | **Standardized Coefficients** | **T** | **Sig.** |
| B | Std. error | Beta |
| (constant) | -26.113 | 7.657 |  | -1.633 | .127 |
| Effects of service quality | .088 | .007 | .536 | 12.433 | .000 |
| Service quality relationship  | 3.221 | .242 | .524 | 12.136 | .000 |
| Factors influencing service quality | 3.479 | .251 | .541 | 12.386 | .000 |

**Source:** Field Data (2017)

Table 4.8 shows individual contributions of independent variables on dependent variable. This study showed that all three independent variables namely effects of service quality, service quality relationship and factors influencing service quality were found to be positive and statistically significant on customer satisfaction as the dependent variable.

# 4.5 Service Quality Assessment on Customer Satisfaction

Correlation and regression analysis were used as methods for analysis to show the relationship between the two dependent and independent variables. Since that is the case, findings were first preceded by model fitness test to show the overall influence of the independent variables on the dependent variable. The independent variables are reliability, responsiveness, assurance, empathy and tangibles. Dependent variable on the other hand is customer satisfaction In that case, findings (Table 4.9 ).

**Table 4.9: Model Summary for Testing of Assumptions of Multiple Linear Regression Model**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | 0.846a | 0.735 | 0.715 | 0.75247 | 1.71 |
| a. Predictors: Reliability, Responsiveness, Assurance, Empathy, Tangibles |
| b. Dependent Variable: Customer Satisfaction |  |  |

**Source:** Field Data (2017)

The results in Table 4.9 are clear that independent variables as predictors influence the dependent variable in a manner that the assumptions have been met and realized. The value of R2 and adjusted R2 indicates customer satisfaction is influenced by 73.5% as value of R2 and 71.5% as the value of adjusted R2 by reliability, responsiveness, assurance, empathy and tangibles as service quality determinants and or variables. This is clear that the assumptions as hypotheses are positive and have been met and realized.

# 4.5.1 Checking Linearity between Dependent and Independent Variables

This is clearly presented in Table 4.10.

# Table 4.10: Pearson Correlation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Customer Satisfaction** | **Reliability** | **Responsiveness** | **Assurance** | **Empathy** | **Tangibles** |
| Customer SatisfactionReliabilityResponsivenessAssuranceEmpathyTangibles | 1.000.566\*\*\*.589\*\*\*.346.474\*\*\*.521\*\*\* | 1.000.101\*.080\*\*.101\*\*.080\*\* | 1.000.101\*\*.102\*\*.101\*\* | 1.000.109\*\*.109\*\* | 1.000.101\*\* | 1.000 |

**\*\*\*\*p<0.001, \*\*\*p<0.05, \*p<0.1**

**Source:** Field Data (2017)

The findings (Table 4.10) indicate that the highest correlation is between responsiveness and reliability which is significant at .589 levels. With that, the highest correlation among all independent variables is on responsiveness which correlates best than other independent variables as predictor variables on customer satisfaction as the dependent variable.

**4.5.2 Multicollinearity Test on Independent Variables**

Results of the respective test were indicated in Table 4.11.

# Table 4.11: Results of Multicollinearity Test between Independent Variables

|  | **Tolerance (1-R2)** | **VIF (Variance Inflating Factors)** |
| --- | --- | --- |
| 1 | Reliability | .566 | 2.087 |
| Responsiveness | .589 | 2.452 |
| Assurance | .346 | 1.719 |
| Empathy | .474 | 1.762 |
| Tangibles | .521 | 2.493 |

Dependent Variable: Customer Satisfaction

**Source:** Field Data

Despite the significance of the correlation, the coefficient is small and so there is no multicollinearity. This was an indication of the problem which was well tackled by multiple regression analysis.

**4.6 Multiple Regression Analysis**

The analysis is presented in Table 4.12.

# Table 4.12 Multiple Regression Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model**  | **Unstandardised coefficients**  | **Standardized coeffiencients** | **T**  | **Sig.** |
| B | Std. error  | Beta  |
| (constant) | -26.113 | 7.657 |  | -1.633 | .127 |
| Reliability | .088 | .007 | .556 | 12.433 | .000 |
| Responsiveness | 3.221 | .242 | .567 | 12.136 | .000 |
| Assurance | .019 | .065 | .019 | .264 | .792 |
| Empathy | 3.479 | .251 | .545 | 12.386 | .000 |
| Tangibles | .077 | .213 | .526 | .252 | .000 |

**Source:** Field Data (2017)

The findings indicate the contribution of each and every single independent variable on the dependent variable. In that note, the results are such that four independent variables namely reliability, responsiveness, empathy and tangibles were found to have positive effect and statistically significant on customer satisfaction. Assurance on the other hand was found to have positive effect but statistically insignificant on customer satisfaction.

**CHAPTER FIVE**

# 5.0 DISCUSSION OF FINDINGS/RESULTS

# 5.1 Chapter Overview

This chapter presents the discussion of findings in comparison with other surveys. The survey was undertaken purposely to investigate the response of customers on service quality provided by I&M Bank (T) Ltd. factors affecting customer satisfaction, level of service quality on customer satisfaction and the relationship between service quality dimensions and customer satisfaction. The discussion of findings was conducted based on specific objectives.

# 5.2 Customers Response on Service Quality Provided by I&M Bank (T) Ltd.

The purpose of this category was to assess customer’s perception on the service quality provided by I&M Bank. Most of the respondent were able to rate the service quality provided by I&M Bank as satisfactory. It was discovered that the frequently use of I&M Bank services was higher due to satisfactory service quality offered. The findings showed higher response were on the acceptability and appreciation of the service quality provided, customers were informed about the services offered and any changes in Banks procedures were communicated to the customers.

Service quality was assessed based on the time it takes to serve the customers, and it was shown that within 3 – 5 minutes customers are served, the same applies to customers who make their calls to demand for the service at the Bank, their calls were answered immediately, however, if the calls are not responded to immediately they get disappointed. A different judgmental view of the nature of services offered affects the pleasure an individual gets from the service (Oliver, 1980). However individual satisfaction is associated with levels, cumulative satisfaction and transaction–specific satisfaction hence provision of the service has to take into consideration of the customers, regular assessment of customer needs is important in ensuring decomposed of various attributes of the quality of care attributes (Cronin and Taylor, 1992).

# 5.3 Factors affecting Customer Satisfaction with I&M Bank Service

There are a number of factors found in this study which affect customer satisfaction in I&M Bank services. The findings have shown that responsiveness, assurance, reliability, tangibles and empathy significantly do affect customer satisfaction with the service provided. The results are similar to Negi (2009) who discovered the existence of causal relationship between overall service quality, quality dimensions and customer satisfaction.

This is similar to the results in our survey which have shown that all service quality dimensions influence customer satisfaction. There are number of factors associated with customer satisfaction such factors include free maintenance of saving accounts, free monthly bank statement, prompt services to customers, and favorable bank charges.

# 5.4 Level of Customer Satisfaction on Provision of Service Provided by I&M Bank (T) Ltd.

For the customer satisfaction level to be high the organization must ensure that the expectations of the customers are well known and necessary measures are taken to fulfill the expectations of the customer so as to avoid the cost that may come as the result of poor service offeredto customer. According to Mohammed (2012) the importance and consequences of satisfaction must be well analyzed by service industry so as to retain the customers in the industry. In Saudi Arabia customers were satisfied with service quality, network coverage, and customer service (Sharma, 2014).

# 5.5 The Relationship Between Service Quality Dimensions And Customer Satisfaction

In this study particularly we discovered the relationship between service quality dimensions and customer satisfaction (empathy and assurance), other dimensions had the negative relationship. Our results are similar to those done by Mushi (2013) who found assurance, tangibles and responsiveness dimensions to have significant effect on satisfaction of the customers.This particular study implies that the company must put more effort to improve the service quality dimensions.

# 5.6 Conclusion

The findings of the study show evidence that most of the service dimensions used in the analysis does determine customer satisfaction. Therefore, responsiveness, assurance, reliability, tangibles and empathy are the key factors of customer satisfaction with the I&M Bank (T) Ltd. Service such as mobile banking, informail, funds transfer and ATM services were pointed out by the surveyed respondents as the most satisfactory services with I&M Bank. The results of this study give the guidelines for banking industry in understanding the key variables of customer satisfaction. It is proposed that employees who are facing customers (front office staff) should resolve the customer’s complaints timely and at the conveniently manner. They need to ensure that employees provide prompt services to customers and have knowledge to answer customers’ requests, thereby providing adequate responsiveness.

# 5.7 Policy Recommendations

The key recommendations of this study is based on the policy whereby the policy makers can adopt from the service dimensions such as responsiveness, assurance, reliability, tangibles and empathy to improve on provision of quality services to service companies. Companies need to consider recruitment of the competence and qualified employees before setting its rules and regulation in provision of quality services. In addition to that the company needs to be aware with the socio-economic characteristics which affect the customer’s satisfaction in general.

# 5.8 Areas for Further Studies

This study aimed at examining the “Effects of service quality on customer satisfaction”: Citing a case study of I&M Bank (T) Ltd. There is a need for further studies to be conducted in the following areas:

1. Further studies can be done on the perceived service quality and what is actually customers receive.
2. Qualitative investigators should conduct research regarding the effects of employee satisfaction on quality of customer service delivery.

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# APPENDICES

# QUESTIONNAIRES

**SECTION A: DEMOGRAPHIC INFORMATION**

Please circle the correct answer.

Marital status:( a) Married (b) Single (c) Widow/Widowed (d)Divorced

Age:( a) Less than 30yrs (b) Between 31-40yrs(c)Between 41-50yrs (d)More than 50yrs

Gender: (a) Male (b) Female

Level of Education: (a ) Primary (b) Secondary (c) Diploma (d) Degree

Employment Status: (a) Employed (b) Unemployed (c)Self employed (d) Others

**SECTION B: CUSTOMER RESPONSES**

Please circle the number for the answer of your choice

1. Customer type
	1. Saving account
	2. Current account
	3. Fixed deposit account
	4. Other type
2. Please rate the quality of service offered by I&M Bank
3. Very Poor
4. Unsatisfactory
5. Very satisfactory
6. Superior
7. How frequently do you use I&M services in a day?
8. One time
9. Three times
10. Five times
11. The whole day
12. How long have you been banking with I&M Bank?
13. Less than a year
14. One to two years
15. Two to five years
16. More than five years

 5. How do you rate each of the service below?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Excellent=1 | Very good=2 | Satisfactory=3 | Poor=4 |
| Customer Service |  |  |  |  |
| Mobile Banking |  |  |  |  |
| Informail |  |  |  |  |
| Fund transfer |  |  |  |  |
| ATM services |  |  |  |  |

**SECTION C: FACTORS AFFECTING CUSTOMER SATISFACTION**

6.There is a readiness for the Bank Staffs to respond to customer request

* 1. Strongly agree
	2. Agree
	3. Neutral
	4. Disagree
	5. Strongly disagree

 7. Quality Service is provided as promised

1. Strongly disagree
2. Disagree

(iii)Uncertain

(iv)Agree

 (v)Strongly agree

 8. What does quality Service mean to you?

 (i)Service cost

 (ii)Welcoming Staffs

 (iii)Service time

(iv)Provision of products

 (v)Accurate Service

 9. How many times did you get problem with the services of I&M Bank?

 (i) Once

 (ii) Twice

 (iii) Three times

(iv)Uncountable

10. The table below shows the criteria related to factors affecting customer satisfaction on the service provided by I&M Bank. Please indicate how you are satisfied by each of the following criteria use five point likert scale of 1-5(from strongly disagree to strongly agree).Please rank the criteria by ticking the appropriate box that is most closely related.

|  |  |
| --- | --- |
| Variable | Strongly disagree..........1Disagree........................2Uncertain......................3Agree............................4Strongly agree..............5 |
| a. Network problem |  |
| b. Some employees are not well aware with the bank products. |  |
| c. Bank Staffs give prompt service to customers. |  |
| e. Dependability in handling customer service queries  |  |

**SECTION D: LEVEL OF SERVICE ON CUSTOMER SATISFACTION**

11. How long have you been using I&M Bank Services?

1. Less than a year
2. One to two years
3. Two to five years
4. More than five years

12. Overall, how satisfied are you with the quality of service provided by I&M Bank?

1. Dissatisfied
2. Somewhat dissatisfied
3. Neutral
4. Satisfied
5. Very satisfied

13. Service Quality dimensions measurement

|  |  |  |
| --- | --- | --- |
| Dimensions description |  | Strongly disagree………1Disagree………………..2Uncertain………………3Agree…………………..4Strongly………………..5 |
| Responsiveness | Prompt services to customers. |  |
|  | Keeping communicating customer about when the service will be delivered. |  |
|  | Readiness to respond to customers |  |
| Assurance |  |  |
|  | Staff behaviour instils confidence in customers. |  |
|  | Employees are consistently courteous with customers. |  |
|  | Making customers feel safe in their transactions. |  |
|  | Employees have knowledge to answer customers’ requests. |  |
| Reliability |  |  |
|  | Employees show genuine interests in solving customer’s problem. |  |
|  | Provide services at the time it promises. |  |
|  | It insists on error free services |  |
|  | Perform services right the first time. |  |
| Tangibles |  |  |
|  | Modern looking equipment. |  |
|  | Presence of materials associated with the service. |  |
|  | Physical facilities are visually appealing. |  |
|  | Employees are neat and have professionally appearance. |  |
| Empathy |  |  |
|  | Having customer’s best interests at heart. |  |
|  | Understanding the specific needs of customers. |  |
|  | Opening hours are convenient to all customers. |  |
|  | Giving customers individualized attention. |  |

14. Would you prefer to bank somewhere else?

(a) Definitely not (b) probably not (c) maybe (d) Probably would (e) Definitely would

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |

15. Would you recommend to bank with I&M Bank to a friend?

(a) Definitely not (b) Probably not (c) May be (d) Probably would (e) Definitely would

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |

16. What should I&M Bank do to improve quality of customer service?

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….