

**TITLED THE EFFECT OF SERVICE QUALITY TO CUSTOMER  
SATISFACTION IN TANZANIA BANKING INDUSTRY, THE CASE OF  
AKIBA COMMERCIAL BANK**

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**A DISSERTATION SUBMITTED IN PARTIAL FULLFILLMENT OF THE  
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**CERTIFICATION**

The undersigned certifies that we have read and hereby recommends for acceptance by the Open University of Tanzania board, the dissertation titled, “The effect of service quality to customer satisfaction in Tanzania banking industry, the case of Akiba commercial Bank” in partialfulfilment of the Requirements for the Award of Masters of Business Administration of Open University of Tanzania.

.....

Prof. Jan Erik Jaensson, PhD  
(Supervisor)

.....

Date

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Date

**DEDICATION**

Through great recognitions and respect, this dissertation is dedicated to my lovely mother Leonia Thomas Simkoko, who courage and motivate me on my study, may God Almighty bless her.

## **ACKNOWLEDGEMENT**

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## **ABSTRACT**

The aim of this dissertation is to gather more knowledge about the impact of service quality on customer satisfaction in Akiba Commercial Bank Ltd in Dar es Salaam region, based on Kinondoni (Tegeta branch) and Temeke (Tandika branch) Districts. Recently, the market of the services provided by the corporations is highly competitive compared to previous, and the customer expectation of such a service is growing. The organizations particularly banks should a emphasis more on the services that they provide to their customers in order to satisfy the customer so that they will achieve their goals. The foremost determination of this dissertation is to explore on Effect of Services Quality on Customer Satisfaction in Tanzania Banking industry. The study is qualitative research in nature. Structure questionnaire are used in the process of data collection from the respondent. The theoretical framework that has been used in this dissertation is SERVIQUAL model developed by Parasuraman (1998) with a five dimensions that measuring the quality of the services that offered by the entire bank. Software SPSS 16.0 version was used to analyze. Data assembled from the respondents. The findings of the study indicate that the customer of the Akiba Commercial Bank was satisfied with the services provided by the entire bank. But respondents ask for Akiba Commercial Bank to expand their services in to other places and not centered only in town.

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**LIST OF ABBREVIATIONS**

ATM	Automated Teller Machine
ACB	AKIBA Commercial Bank
BOT	Bank of Tanzania
KYC	Know Your Customer
SBV	State Bank of Vietnam
SERVQUAL MODEL	Service Quality Model
SQ	Service Quality
NBC	National Bank of Commerce
VCB	Vietnam Commercial Bank

## **CHAPTER ONE**

### **1.0 BACKGROUND TO THE STUDY**

#### **1.1 Introduction**

Bank shows a vital role in the economic growth of any of the country in the world. These are financial establishments that accept payments and networking those payments into contribution activities either directly or through capital markets. A bank connects customers which have capital deficits to those customers with capital excesses. The banking industry in Tanzania is facing a certain difficulties like poor quality service, customer loyalty, customer satisfaction, and customer retaining. Quality service plays a role in succeeding customer satisfaction, and creating brand loyalty in banking industry at any locality that has been established.

The Tanzanian banking industry has suffered many changes in terms of service provided with the aim of upgrading the service quality to customer service. The recent years have also seen growth in the Tanzania banking industry that resulted to high competition among the Bank companies (Morgan, 2014). The term quality in our contemporary world is an essential issue that it is considered a really significant notion in our real business competitive life. According to Ennew and Binks, 1999, Better Service quality can be used to distinguish among service providers, and to win strategic competitive advantage. The service quality provided is an important factor of general customer satisfaction, which in chance resulting to customer retention and loyalty. Also, Service quality is regarded as one of the greatest important antecedent of customer loyalty in service businesses (Fullerton, 2005).

The Akiba Commercial Bank is one among commercial banks in Tanzania. It was licensed by the Bank of Tanzania(BOT), the central bank and Tanzania national banking regulator, Akiba Commercial Bank was initiated in 1993, period when Tanzania's banking industry were not gathering the financial needs of small-business owners. In August 1997, Akiba acknowledged its working authorization hence officially started the operations as the commercial bank. Recently, ACB is a full financial organization service, with the Headquarters at Dar es salaam City, also it have branches on the other cities in Tanzania. So, this research was conducted at Akiba Commercial Bank in order to find out, the effect of service quality to customer satisfaction.

## **1.2 Statement of the Research Problem**

Normally the Customers are regarded as the vital figure at any circumstances where the business is run, example in banking industry. Most of banks facing the problem of service quality feedback, from their customers ending up to be unfair from the service been provided by the banking industry, that is why this study needs to investigate the effect of service quality on customer satisfaction in the banking industry, that means that, exploring at what extent do the service quality of certain Organization can result to Customer satisfaction.

## **1.3 Research Objectives**

### **1.3 1 General Objectives**

The objective of this study is to assess the impact of Service quality to customers Satisfaction in Tanzania Banking industry.



### **1.3.2 Specific Objectives**

- i. To analyze important of service quality dimension,
- ii. To analyze customer satisfaction,
- iii. To analyze the relationship between service quality and customer satisfaction.

### **1.4 Research Questions**

- i. What are Dimensions of service quality that culminating to customer satisfaction?
- ii. How does the service quality influencing customer satisfactions?
- iii. To what extent is service quality influencing the customer satisfaction in Akiba Commercial Bank?

### **1.5 Significance of the Study**

This study stands as a component for the other studies in different locality into the field of SQ in Tanzania, and it can be as the copping point for the other organizations that deals with customers so as to expand the service that provided to their customers in order to culminate the massive customers satisfaction and customers retaining.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Overview**

This chapter contains the number of definitions of concepts as , Service, Service quality, Customer satisfaction, and Service quality dimensions, theoretical literature reviews and Empirical literature review. The purpose of this chapter is to compare several evidences as obtained from various scholars in order to detect knowledge gaps basing on their scholarly works.

#### **2.2 Conceptual Definitions**

##### **2.2.1 Services**

A service is any action or performance that one party can offer to another, that is essentially intangible and does not result in the ownership of anything, and from its production, it is the way in which the organization would like to have its services perceived by its customers, employees, shareholders and lenders the organization's business proposition. (Heskett, 1986). According to Edvardsson and Olsson (1996), refer to the concept of comprehensive description of what is to be done for the purchaser (what needs and wishes are to be satisfied) and how this is to be achieved.

According to Gronroos (1983), service as an action or sequence of activities of more or less intangibles issue, but they are not necessary, take place in interface between the customer and service staffs/ or carnal resources or goods and/ or structures of service provider, which are provide answer to customer difficulties. Having seen the different

viewpoints concerning the concept of service, also there are several scholars that show their involvement on giving their views, According to Sasser *et al.* (1978) gives the other meaning of the term service as the package of clear and understood benefits performed with a supporting talent and using enabling goods. According to Payne (1993), any major or free activities that doesn't straight produce a physical products, that is, the non –good part of the transaction among customer and providers”.

### **2.2.2 Service Quality**

In a newly years within the 21<sup>st</sup> Century of selling competition, SQ is arisen as the central tool for the firm to win the marketing in competition against the other competitors. Some businesses or organization tends to use the Quality of their service as the competitive advantages to win the market range against their fellow, so in this scenario, the one who have got the better service quality is the one who is going to win the markets. On this foundation, several scholars have cement on the concept of Service Quality by carrying out their concept on the definition of Service Quality as follows, according to Cronin& Taylor, (1992).

Service Quality is watched as a formula of outlook on behalf of a long-run general valuation. Upholding service excellence at positive level and enlightening service quality necessity be life-time efforts for those companies who desire life-time success in customer's life. In 1988, Parasuraman *et al* conducted a quantitative research and their quantitative findings bring out the tool for assessing customer's perception on Service quality and such a device was known as SEVQUAL MODEL. According to

Parasuraman *et al* (1988), Service quality can be well be defined as an overall finding toward the service and general believed as an originator of an overall customer satisfaction.

### **2.2.3 Customer Satisfaction**

Customer satisfaction a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or exceed customer expectation. Customer satisfaction is defined as the number of customers or percentage of total customers, whose reported experience with a firm, its products, or its services to be better to them and thus it meets customer demands. According to Ghalib, (2014). Customer satisfaction is the kind of products and services a company provide in order to meet and exceed its customers' expectations. Organizations within the same market sector must assess the quality of their services if they are to attract and retain customers. It appears as though many researchers have conceptualized customer satisfaction as the feeling of pleasure or disappointment that an individual gains from comparing a perceived performance or outcome against.

According to Giese and Cote, (2000),There is no broad definition of customers satisfaction and after their study these two scholars, they came out with the following concept on customer satisfaction, Customer satisfaction is identified by a response(cognitive of affective) that pertains to a particular focus ( Purchase the knowledge and/ or associated product occurs at a certain time(Post-purchase, post-

consumption). Customer satisfaction is extremely personal assessment that is critically influenced by personal prospects. Some meanings are constructed on the remark that customer satisfaction or displeasure outcomes from either the permission or disconfirmation of individual prospects regarding a service or product. To avoid complications from the series of customer expectations and variances, some experts urges to companies to concentrate on a goal that's more closely linked to customer fairness. Instead of asking whether customers are satisfied, they encourage companies to determine how customers hold them accountable. (Nick, 2004).

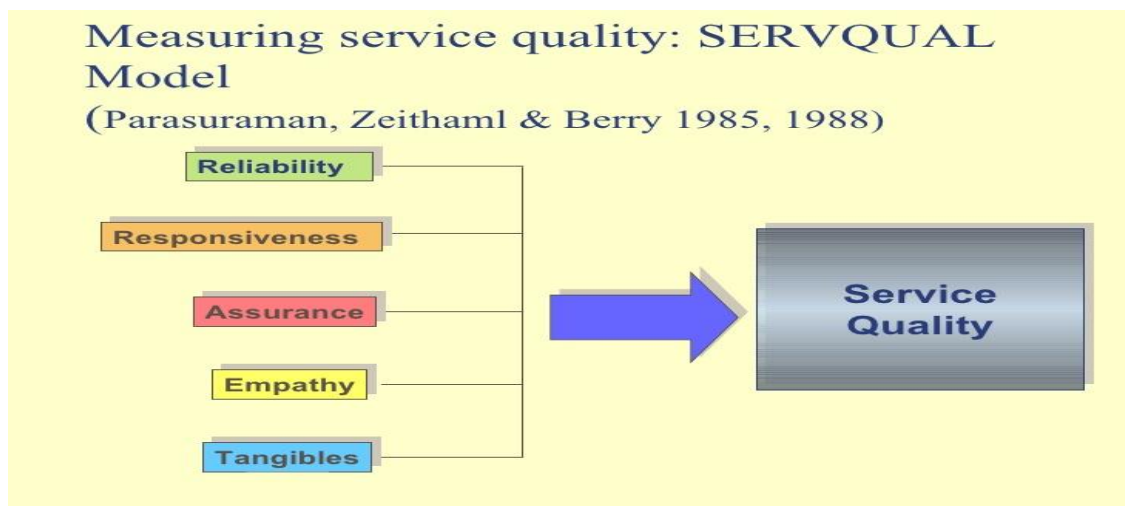
Customer satisfaction is the grade to which a client observes that an individual well-founded or association has successfully providing a creation or service that lights the customer's needs in the context in which the customer is aware of and / or using the product or service. Satisfaction is not inherent in the personal or the product but is a socially built response to the connection between a client, the product and the product maker. To the extent that a provider / maker can influence the various magnitudes of the relationship, the provider can influence customer satisfaction (Reed*et al.*, 1997).

### **2.3 Critical Review of Supporting Theories or Theoretical Analysis**

In this part, the researcher used SERVIQUAL MODEL analysis as used by different scholars in measuring the service quality dimensions and gap existing between service quality and customer satisfaction.. According to Parasuraman et al., (1985, p. 47-48), the SERVQUAL model was prepared often dimensions of service quality once includes tangibles, reliability, responsiveness, communication, credibility, security, competence,

courtesy, understanding the customer, and access, but later on these many dimensions were reduced in number and ended up with only five of them, due to intersection of the rest of the dimensions which are, credibility, security, competence, communication, courtesy, understanding customers and access.

The only five remaining Dimensions were Tangibles, responsiveness, Assurance, Reliability and Empathy. According to Parasuraman et al., (1988, p.23), these dimensions have much concentration on the human aspect of service provision, Tangibles things, which this means physical facilities, equipment, and Staff appearance. Reliability which means capability to perform the promised service consistently and perfectly, Responsiveness means the willingness to help customers and provide quick service; Assurance means the knowledge and politeness of employees and their ability to stimulate trust and confidence, and Empathy which means caring, customer attention the firm provides its customers.



**Figure 2.1: Measuring Service Quality, SERVIQUAL Model**

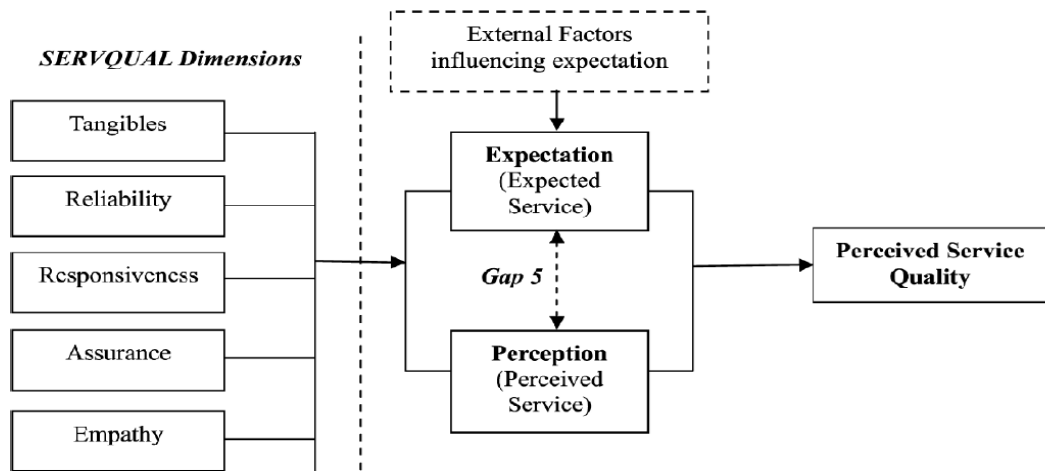
**Source.** Parasuraman et al, (1988, p.99-128)

According to Ladhari, (2009), SERVQUAL model is a respectable scale to use when measuring service quality in different Organizations. So in this case this model was reflected and this because it bring justification to customer's expectation of a service given as well as perceptions of the service which is superior way to measure service quality in service sector.

According to Gilbert *et al* (2004, p.372) there are various ways in which the SERVQUAL Model can be measured and these involves,

- i. "The expectancy-disconfirmation approach which is associated with the identifying of customer expectation versus what they actually experienced. It focuses on the comparison of the service performance with the customer's expectations. The customer's expectations could be assessed after the service encounter by asking him/her to recall them.
- ii. Performance-only approach merely assesses service quality by merely asking customers about their level of satisfaction with various service features following a service encounter.
- iii. Technical and functional dichotomy approaches identify two service components that lead to customer satisfaction namely, the technical quality of the product which is based on product characteristics such as durability, security, physical features while functional quality is concerned with the relationships between service provider and customer such as courtesy, speed of delivery, helpfulness.

- iv. Service quality versus service satisfaction approach which mainly focuses on two components that are interrelated; the transition-specific assessment which evaluates specific features of quality and the overall assessment which evaluates overall quality. This approach links perceived quality at the time of the service encounter or immediately after it and overall satisfaction with the service. Perceived quality is based on attributes of the service over which the company has control and it is a measure of the consumer's assessments of the service's value without comparison to consumer's expectation.
- v. Attribute importance approach focuses on the relative weight on the importance the consumer places on attributes found to be linked with service satisfaction"



**Figure 2.2: Measuring Service Quality using SERVQUAL Model.**

**Source:** Kumar *et al* (2009)pp.214

According to Parasuramanetal (1985) pp. 41-50, there are several gaps in relation to customer's satisfaction; the following are the five Gaps that can be resulted from



dimensions,

**Gap 1: Consumer expectation - management perception gap**

Service firms may not always understand what features a service must have in order to meet consumer needs and what levels of performance on those features are needed to bring deliver high quality service. This results to affecting the way consumers evaluate service quality.

**Gap 2: Management perception - service quality specification gap**

This gap arises when the company identifies what the consumers want but the means to deliver to expectation does not exist. Some factors that affect this gap could be resource constraints, market conditions and management indifference. These could affect service quality perception of the consumer.

**Gap 3: Service quality specifications – service delivery gap**

Companies could have guidelines for accomplishment service well and treating customers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service which has an impact on the way consumers perceive service quality.

**Gap 4: Service delivery – External Communications Gap**

External communications can affect not only consumer expectations of service but also consumer perceptions of the delivered service. Companies can neglect to inform

consumers of special efforts to assure quality that are not visible to them and this could influence service quality perceptions by consumers.

### Gap 5: Expected Service

From their study, it showed that the key to ensuring good service quality is meeting or exceeding what consumers expect from the service and that judgment of high and low service quality depends on how consumers perceive the actual performance in the context of what they expected.”

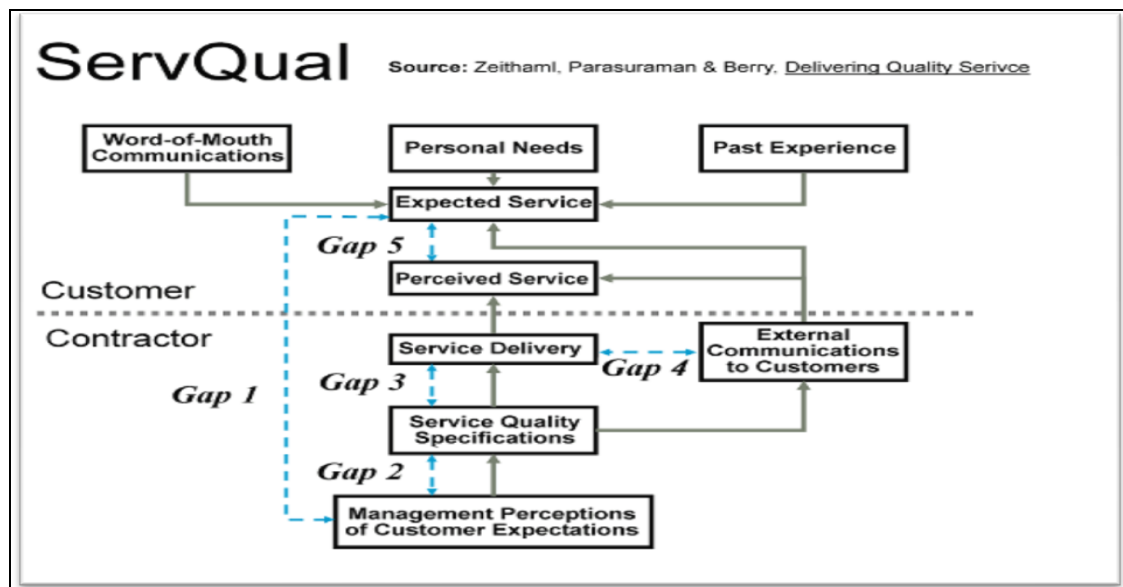


Figure. 2.3: Source; Parasuramanetal 1985.pp 41-50

### 2.4 Empirical Analysis of Relevant Studies

In this part the study highly showing on how several researchers tried out to pinpoint the relationship between the service qualities provided by the entire organization into Customers level of Satisfactions. Although, many researchers succeed to prove that there

is highly relationship between the two phenomena that is Service quality and Customer satisfaction, but not recently with some places,

Now, this study was show the gap how the conditions recently on different locality concerning the Influence of Service quality in relating to customers satisfaction. According to Morgan, (2014), the impact of service quality to customer's satisfaction in banking industry: A case study of CRDB bank in Njombe and Iringa regions. The study surely reveal that, It is necessary to know the demands of the customers about the services they are being provided, what is the expectation of the customer and what type of services are provided to him or her, and should focus on the communication with their customer to increase the satisfaction and expectation of their customers.

Also the bank can connect their customers, Also For the management of the AKIBA they should look into the customer claims like shortage of branches and ATMs machines in a positive way of success and improving their services toward their customer by implementing and working on all needs and wants of customers. What the customers claim is in order to maintain, win and retain of their customer's loyalty. This is because market perception and customer expectation can change rapidly from time to time, for example from long queue in the front desk upto now is the internet banking, perhaps there was a new trend in the near future.

According to Tran Van Quyet, and Taikoo Chang.(2015), Service Quality Effects on Customer Satisfaction in Banking Industry in Vietnam. The study shows that association

between the Service quality and Customers, According to the effects of the study, customer fulfillment with deposit services of banks depended on then extissues: Tangibility had the highest result that Services and equipment also affected operations of banks, suggesting that banks that lag behind or are less developed are less likely to customers. Empathy hierarchical second factor telling that, to invite customers, banks must not single recover the excellence of their usefulness services and products but also make better use of a manual commercial values such as buyer relationship with bank staffs.

Assurance graded third, which may clarify the appeal by the State Bank of Vietnam (SBV) for credit organizations and bank divisions to reinforce the security and security of their figures technology systems. Responsiveness graded fourth, whereby this may be described by the point that customers increasingly, prefer attention that linked to the series of services and the suitability of budgets. Reliability ordered last and this telling that, in order to invite capital, banks trust deeply on consumer trust. The correctness of this trust is contingent on the excellence of information offered by the bank. In terms of client behavior in their fulfillment with deposit services of VCBs, simply the gender variable showed an alteration in the level.

Also the study shows in order to reduce the space between banks and clients, banks must upgrading the skilled level of staff memberships in bringing services directly to clients. Those workers should clearly realize and controlling their products as well as usefulness to ensure a suitable level of their recommended capacity and skill to accommodate

consumers. In addition, they should be equipped with the strong "soft" skills in the provision of services to customers, together with communication, negotiation, and sales skills. According to Pak J. Commer (2014), Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector in Pakistan.

The study shows that, Service quality has been admired by the organizational researchers all around the globe as a competitive weapon which differentiates the organization from its rivals in a much positive way by enabling the service organizations to delight the customers through the provision of premium quality services on consistent basis and subsequently enhance their satisfaction and loyalty to the organization, also the study shows on the important of the Five dimension of service quality that should be applicable in banking industry sector, that is Tangibility, Assurance, Empathy, Responsiveness and Reliability as the key tools for the relations between Customers service quality and customers satisfying According to Msoka Caroline and Elizabeth, (2014). Determinants of Customer Retention in Commercial Banks in Tanzania.

The intention of the study was to observe the determinants of customer retention in commercial banks in Tanzania. In this study the researcher tries to pin out the determinants factors for retaining customers which initially mentions as Tangibility, Reliability, Empathy, Responsiveness and Assurance, also the researchers insist that "Banks should use the quality products as a instrument to satisfy and retain their customers over periodic surveys on what constitutes convenience to customers in their products. Also before developing their products, they should at least consider customers

for their inputs on what they really want so that the products and services should be easily obtainable and convenient. Banks should review their database to update customers' information and the financial status for easy monitoring of customers' transactions." For the purpose of retaining customers, then it is commanding for the banks to do Know Your Customer (KYC) check repeatedly so that the Administration were aware on the number of customers.

## **2.5 Research Gap Identified**

On this side the researcher is going to show the study gap between the above scholars that tried to investigate on the impact of service quality to Customers satisfaction, basing on what they have been analyzed concerning the intended Topics. Most of scholars, they did appreciate that, there is direct relations between the better service quality that was culminate to the customers satisfactions, Although their studies was taken out of Tanzania except Norgath Morgan, Msoka Caroline and Msoka Elizabeth who did the research in Tanzania regions, by taking the CRDB and NBC banks, and ignore the AKIBA commercial banks and which also they based on customer retaining and not satisfying, on what this study was investigated on.

## **2.6 Conceptual Framework**

A **conceptual framework** is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply. Isaiah B.(1953). The process of adopting the amended conceptual frame that was based on

SERVQUAL Model with the five Dimensions that's are *Tangibles*, *Reliability*, *Responsiveness*, *Assurance* and *Empathy* to stands as dependent Variable while the *Customer satisfaction* stand as independent variable. SERVQUAL Model is the finest Model in computing the Service quality and the customer satisfaction particularly in banking industry.(Parasuraman, 1988).

The concept of service quality as hypothesized in the service marketing literature centers on Perceived quality, defined as a consumer's judgment about an entity's overall excellence or superiority. (Zeithaml, 1987). According to Parasuraman *et al.* (1985), recognized 97 items or standards in measuring service quality. They argued that consumers used similar criteria unrelatedly of the type of service in measuring service quality. They then group these criteria into 10 key categories which they labeled as service quality elements. The determinants are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and Tangibles. Later in another research, they advanced the dimensions as shown below into only five dimensions - tangibles, reliability, responsiveness, assurance, and empathy,

**Tangible;** this includes physical facilities, equipment, and appearance of personnel and communication materials.

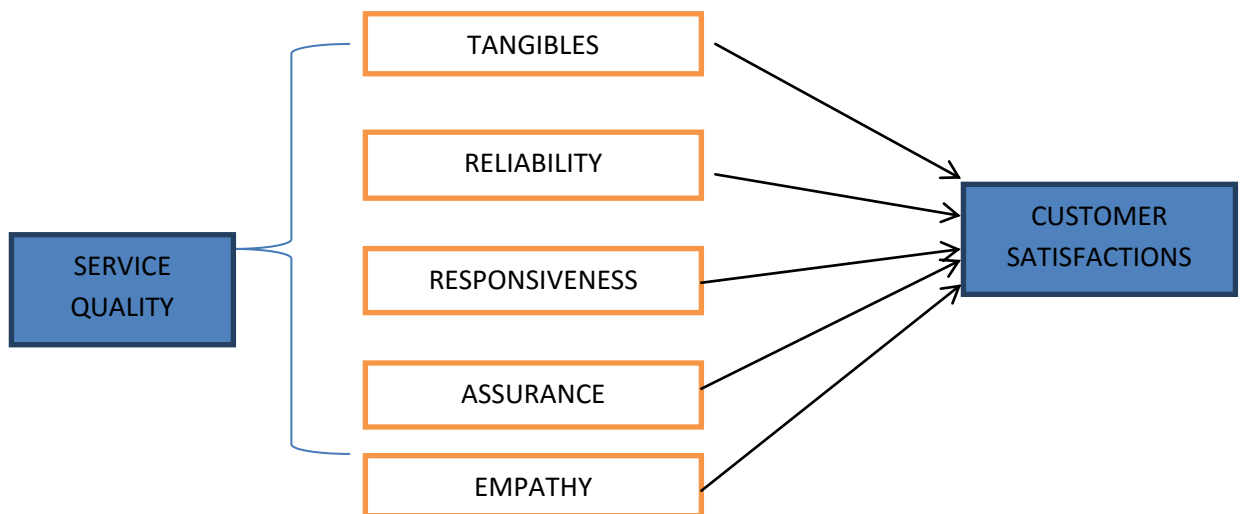
**Reliability;** Ability to perform the promised service dependably and accurately.

**Responsiveness;** Willingness to help customer and provide prompt service

**Assurance;** knowledge and courtesy of employees and their ability to inspire trust and confidence

**Empathy;** The caring, individualized attention the firm provides to its customers. (Parasuraman et al., 1988).

The researcher was use the same dimensions to measure both service quality and customer satisfaction because both are related because all dimensions can be used to measure the extent of customer satisfaction, example, responsiveness can used to measure whether the service providers are highly and quickly responding to customer quarrels, or not. The SERVQUAL approach incorporates the two concepts and suggests that perceived service quality leads to customer satisfaction. The purpose of the model is to find out the overall services quality perceived by customer if it meets the customer needs and satisfies them.



**Figure. 2.4: Proposed Conceptual Framework**



## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Overview**

In this section on the methodology framework of the study, it outlines various steps, which were used in undertaking of the study. Therefore the brief discussion comprises the research design, study population, sampling procedures, data collection methods, data analysis techniques.

#### **3.2 Survey Population**

In this study, customers of the entire branch was interviewed in a 100 numbers by each branch of Tegeta and Tandika Branches, in order to get the well accurate data and not one side based information and this made the total of 200 respondents of both branches. Customers was identified randomly.

#### **3.3 Area of the Research or Survey**

The study was taken at Akiba Commercial Bank (ACB), at Dar es Salaam around Akiba Commercial Bank branches in Dar es Salaam which are TANDIKA and TEGETA Branches. these branches have been selected due to their geographical distance and location that customers from Tegeta were far and different from customers of Tandika, and this helped to get different views due to different geographical location while Tandika is in Temeke District and Tegeta branch is in Kinondoni District. So by choosing that mentioned zones it made possible for the study to be conducted effectively. Not only that, but also it was easy for the researcher during data collection as

it encompassed the clients of different ACB Bank branches in Dar es Salaam region. The reason for choosing this bank branches is that, they have a large number of clients and there is competition among them and they have different kinds of customers in national level, which means the sample are good and fair representation.

### **3.4 Sampling Design and Procedures**

This is the planning of situations for gathering and examination of data in a way that aims to pool together the applicability to the research determination with economy in method. The research design is the conceptual structure within which research is directed; it establishes the design for the gathering, dimension and analysis of data. As such the strategy includes an outline of what the investigator was done from writing the hypothesis and its working implications to the finishing analysis of data. (Kothari, 2004).

The study collected data from 200 respondents from two Banks branch which are Tandika Branch and Tegeta Branch, Customers of the entire branch was be interviewed in a 100 by each branch to make the total of 200 respondents. Customers were identified randomly; this study is intended to assemble the information about the Impact of Service quality on customer's satisfaction in Tanzania banking industry. The quantitative method helped researcher to get data through structured questionnaires.

### **3.5 Variables and Measurement Procedures**

In this study, the primary data was needed and collected from the respondents which are customers, so the source of data was from the intended respondent that are, Customers

of the entire bank branch. Variables that were used in collecting data are the five Dimensions of service quality which are *Tangibles*, *Reliability*, *Responsiveness*, *Assurance* and *Empathy*, and these variables were measured through structured questionnaires.

### **3.6 Methods of Data Collection**

The required data and information were collected through questionnaires survey method, and data were collected from both branch customers to have equal participation between both branches. The source of data was primary which was enabled the researcher to collect the recently information that matches with the objectives of the study, this influenced the process of data collection because through interview method whether customer was explain allots that was help the researcher what to take and not to take.

The Pre-test for the Research questionnaires was done to three people and found out how the effective of the questionnaires are, lucky enough the nature of the questionnaires gives room to respondent in only two options. So according to this, the questionnaire had only two alternatives these are weather, the respondent had to respond on then by comment concerning the statement that weather “Little statement or Essential statement”. the respond has to respond at each of the question on both part which means part A which consist with the Expectation questions and part B that concerning with the Perception of services, so the respondents has to circle weather 1 for Little Importance or 7 for Essential Statement. Finally the researcher discover the mistake on the

questionnaire paper whereby question 5 in Tangibility is missing in Part B (Perception) but appeared in part A (Expectation), so doing so the researcher excludes it in analysis stage, so question 5 is not a part of analysis.

### **3.7 Data Processing and Analysis**

Afterward, the collected data was edited to identify errors and omissions then was coded to make them agreeable for analysis stage. Statistical Package for Social Science (SPSS version 16.0) was highly applicable; data that composed was examined by using Statistical Package for Social Science (SPSS) and Microsoft Excel. These tools were used to regain all material of attentiveness.

#### **3.7.1 Reliability and Validity of the Research Instrument**

Reliability is a valuation of accurate and consistency of the measurement instrument, while validity on the other side measures if the results reached through the instruments used, matches the researcher's expectations to achieve the indicated objectives (Cooper and Schindler, 2003). Therefore, reliability and validity of the data collection techniques was pre - tested using few questionnaires purposely for checking whether expected results would be achieved after the research.

#### **3.7.2 Reliability of the Research Instrument**

Cronbach's Alpha was used to test the Reliability, According to Kothari, (2004), measuring instrument is reliable if its value is 0.7 and above, therefore, the value indicated in the table 4.3.1 below shows the accurately Reliable for the study hence it was above 0.7 and which is 0.992 Reliability statistics.

**Table 3.1: Cronbach's Alpha**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.992	.992	44

**Source:** Field data

### 3.7.3 Validity of the Research Instrument

Validity of the instrument was scientifically tested using exploratory factor analysis with varimax. The value of Kaiser-Meyer-Olkin (KMO) of 0.815 =0.8 was obtained. According to Hooper (2012), Kaiser-Meyer-Olkin (KMO) is valid if its value 0.6 and above. Therefore, the obtained KMO value of 0.815 is higher than the recommended minimum of 0.6 which allowed the researcher to proceed with the analysis. Furthermore Bartlett's test shows the value of significance being = 0.000, this implies that variables are highly correlated to provide reasonable basis for factor analysis. This was suggested by Hooper (2012) that the value for Bartlett's test should be significance value of less than 0.05 as shown in the KMO and Bartlett's test as shown below,

**Table 3.2: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.815
Bartlett's Test of Sphericity	Approx. Chi-Square	1.276E4
	df	946
	Sig.	.000

**Source:** field data

### **3.8 Expected Results of the Study**

In the study the researcher is expecting to find a lot of challenges during data collection process, a researcher expect to find some respondent are in out of the mood, and even others was not participate full with researcher due to their bad ideology of thinking that they was be exposed out. Also the researcher expects to find some customers that was ask for money from the researcher before giving information

## **CHAPTER FOUR**

### **4.0 DATA PRESENTATION AND INTERPRETATION OF FINDINGS**

#### **4.1 Introduction**

The chapter offerings the results of the study which was carried out that to evaluate the Effect of service quality to customer satisfaction In Tanzania Banking industry (the case of Akiba commercial bank). The study was conducted in Dar es Salaam based on two districts which are Temeke districts under Tandika branch, and Kinondoni district under Tegeta branch.

The objectives of the study included the following, to analyze important of service quality dimension, to analyze customer satisfaction and to analyze the relationship between service quality and customer satisfaction. Structured questionnaires were used to collect data from respondents, data were collected using research instruments and finally examined and analyzed. Data were then presented and interpreted in accordance with specific objectives of the study.

#### **4.2 Overall Respond Rate**

Researcher sample number was 200 Customers of AKIBA Bank who were used services from their branches in Tandika and Tegeta (Dar es Salaam) Out of the 200 questionnaires from respondents only 135 respondents were responded, 23 questionnaire were incomplete and the 42 were not filled although 200 of questionnaire copies was printed to be filled as shown in Table 4.1.

**Table 4.1: Overall Respond Rate**

NO.	Description	Responses	Percentage %
1	Completed Questionnaire	135	67.5
2	Incomplete Questionnaires	42	21
3	Unfilled Questionnaire	23	11.5
	<b>Total</b>	<b>200</b>	<b>100</b>

**Source:** Field data

#### 4.2.1 Respondents Profile

The section shows profile of the respondents in relation to each respondents profile section of the questionnaire, it then containing five questions which based on Age group, Gender, Education background, Employment status and Bank Status. So in this, each respondent have to mention his/her status accordingly

#### 4.2.2 Respondent Age

**Table 4.2: Respondent Age**

		Frequency	Percent
	18-30	43	32
	31-40	58	43
	41-50	25	18
	51-60	9	7
	<b>Total</b>	<b>135</b>	<b>100</b>

**Source:** Field Data



Basing on the above table 4.1, shows that 32% and 43% were filled the questionnaires, regarding to the level of their Age, then the data is accurate because high percentage of matured respondent filled the questionnaires, although the respondents aged from 31-40 were high number while the most few age group that respond to the questionnaire were 51-60, which show that not many of the have account in Akiba Commercial Bank.

#### 4.2.3 Respondent Gender

**Table 4.3: Respondent Gender**

		Frequency	Percent
	Male	87	64.4
	Female	48	35.6
	<b>Total</b>	<b>135</b>	<b>100</b>

**Source:** Field Data

As per Table 4.3 reveals that high percentage of 64.4% respondents were Male gender, this is because of the nature of location for the both Bank branches, whereby Tandika branch is located at Tandika nearby the Market where most of the people are male, particularly small business people named Machinga whereby most of them are Male and the Female scores only the 35.6%

#### 4.2.4 Education Background

**Table 4.4: Education Background**

		Frequency	Percent
	Primary education	12	9
	Secondary education	34	25
	Vocation training	30	22
	Colleges	27	20
	University graduate	32	24
<b>Total</b>		<b>135</b>	<b>100</b>

Source Field data

Based on the above the table 4.4 above as explaining on the education background for the respondent, whereby the questionnaires have been filled by most high percentages which are 25% and 24%, which are Secondary education and University graduates respondents and this reveal that, the study obtain data that comes from matured and intellectual respondent, to enhance the researcher to fulfill his ambition of the study,

#### 4.2.5 Respondent Employment Status

**Table 4.5: Respondent Employment Status**

		Frequency	Percent
	Employed	42	31
	Not employed	51	38
	Retired	12	9
	Owner of a company	11	8
	Student	19	14
<b>Total</b>	<b>135</b>	<b>100</b>	

Source: Field data

The higher percentage of the respondent was found unemployed people, which is 38% this further enough the lowest percentage of the respondent found to be not have any ownership which are,8% of total respondents. So this fact implies that, the bank contain many of unemployed people with high percentages compared to others.

#### 4.2.6 Respondent Bank Status

**Table 4.6: Respondent Bank Status**

	<b>Frequency</b>	<b>Percent</b>
Bank customer	135	100
<b>Total</b>	<b>135</b>	<b>100</b>

**Source:** Field data

Having seen the Table 4.6 above, as it can be revealed the questionnaires was set for the Customers of the Akiba Commercial bank as all 100% this show that, is the customer themselves that all 135respondents that fill the questionnaires so the data was obtained direct from bank customers.

#### 4.3 Analysis of Specific Research Objectives

The segment offers a measurable analysis; the segment offerings the outcomes and examination of section B given from the questionnaire. The result of every dimension is well showed in table form and analyzed as well. The summary of the outcome of all the sensitivity on variables is discussed with the aid of a table, based on the Variables whereby the respondents was required to state weather the statement is Little important by circle number 1or it is an Essential Statement by circle number 7.

### 4.3.1 Tangibility

These are Physical representation or images of the service to be provided, and on this statement basing on the distributed Questionnaire some respondents have different perspectives on it weather it is Essential or it have a little important, on their entire bank, the following are the differences on the average scores at each questionnaires based on Tangibles.

**Table 4.7: Effect of Tangibility on customer Satisfaction**

Number of Question	Expectation Average	Perception Average
Question1; The good bank was have current observing apparatus, e.g. welcome Facility,	5.6	5.6
Question 2;The material services, e.g. constructions, in an exceptional Bank was be visually likeable	5.6	5.3
Question 3;Operators at an brilliant bank was look neat	5.6	5.5
Question 4;Things connected with the service, e.g. payment forms, description statements Forms, was be visually attractive in a bank	5.5	5.5

**Source:** field data

According to the table above shows that, the average of the respondent is similar from the customer expectation to perception, in this reveal that the Service in a bank is produced in equality hence led to customer satisfaction on Tangibles things. And this shows that the service quality provided by the bank has a good manner hence it satisfies

customers, except in question 2 which state that “The physical facilities at the bank are visually appealing “ shows that, there is a gap between the what the customers expect and what they perceive.

### 4.3.2 Reliability

Simply in the service of banking industry, the term show that how much the wasingness to help the customer the bank have, this may results to customer happiness, he finding through the questionnaires were resulting from the following statements asked to respondents about the reliability of the bank services of AKIBA COMMERCIAL BANK, the respondent were having different view on them,

**Table 4.8: Effect of Reliability on Customer Satisfactions**

Number Of Qn	Expectation Average	Perception Average
Question 5;If A Good Bank Tells To Do Something By Acertain Time, It Was.	5.7	5.4
Question 6;When Clients Have Difficulties, The Friendly Bank Was Show Sincere Attention In Solving It, E.G. An Mistake In A Payment	5.3	5.3
Question 7;The Bank Was Complete Service Right, At The First Time	5.2	5.3
Question 8;The Good And Friendly Bank Was Deliver Its Provision At The Time It Possibilities To Do So	5.5	5.4
Question 9;An Exceptional Bank Was Claim On Good Service	5.5	5.3

**Source:** field data

On the above table the average gap is seen in a question 5 in Perception which state that “When the bank promised to do something by a certain time, it did it” this shows that the customer are not perceive what they expect from the Bank, so on this, the service quality should be improved so that they was satisfying customers. But the most interesting results is on Question 7 where the perception is higher than the expectation.

### 4.3.3 Responsiveness

In the banking industry the term show how much the staff are wasing to help customers and they real responding immediately once the customers faced the problems, then the following scores shows the average of customers/respondents to ward each question on Responsiveness of service.

**Table 4.9: Effect of Responsiveness on customer satisfaction**

<b>Number of Question</b>	<b>Expectation Average</b>	<b>Perception Average</b>
Question 10;Bank attendant was tell clients accurately when services Was be done	5.4	5.4
Question 11;Workers at an admirable bank was give quick service to clients	5.4	5.4
Question 12;The Staff of the upcoming bank was always be wasing to help customers	5.4	5.4
Question 13;Workers at an exceptional bank was not ever be too busy to answer questions	5.4	5.7

**Source:** field data

The table shows that the service quality of the Bank is almost Satisfies customers but the huge gap has been seen at the question 13, whereby the customers expectation average was 5.4 but the perceived the average of 5.7, so on this Question 13 which state that “Staff of the bank are never too busy to respond to customers” this is very good, where the expectation exceed this much. So, generally this is good for the bank hence they satisfies customers with the better service that they provided.

#### 4.3.4 Assurance

The knowledge and courtesy of employees and their ability to inspire trust and confidence, is so important on service to customer, based on the field datathen, the following are the average scores of the respondents to ward questions.

**Table 4.10: Effect of Assurance on customer satisfaction**

<b>Number of Question</b>	<b>Expectation Average</b>	<b>Perception Average</b>
Question 14;The performance of workers at an admirable bank was impart Confidence in customers	5.4	5.4
Question 15;Client of an brilliant bank was feel safe in their transactions	5.4	5.4
Question 16;Staff at an first-rate bank was be constantly polite with clients	5.4	5.4
Question 17;Staff at an exceptional bank was have the awareness to answer Customer’s requests	5.4	5.7

**Source:** field data

Basing on the table 4.12, again we could see a much higher rating on perception than expectation on question 17, as scores shows that the perception is higher than expectations.

### 4.3.5 Empathy

The term Empathy is all about the individual attention when service are provided to customer by the staff it is the caring, individualized attention the firm provides to its customers. (Parasuraman et al, 1988). The researcher was distributed the questionnaire to find out the Empathy toward customer in Akiba commercial bank and the following are the average scores as shown in the table below;

**Table 4.11: Effect of Empathy on customer satisfaction**

Number of Qn	Expectation Average	Perception Average
Question 18;The bank was give customer customized care	5.5	5.6
Question 19;The favored bank was have opening hours suitable to all of its customers at a time	5.6	5.8
Question 20;The good bank was have staffs who give its customer Individual attention	5.4	5.6
Question 21; ) The friendly bank at recently was have the customer' best interests at heart	5.6	5.7
Question 22;Staff of the upcoming good banks was understand the specific needs of their customers	5.6	5.6

**Source:** field data



The above table shows how much the Empathy of the service is, based on the average scores of the respondent, as it can be seen that every questions that respondent as given had an equal or very little gap between the expectation and Perceiving of the service by the customer, and this reflect that the service provided by the Bank is has a quality that satisfies customer. Although the question 19 and 20 shows that the gap is 0.2 each question, which good because their perception are more than expectation so this can generate trust and customer retention to entire bank of Akiba.

#### **4.4 Summary of Results on Expectation and Perception Average Scores for Questionnaires**

The results shows that at an extent customers are satisfied with the Bank services based on the finding it can be revealed that most of the scores in questions shows that customers had some satisfaction as shown in the general scores.

The following is the average.

**Table 4.12: Summary of All Questions in Each Category**

<b>No</b>	<b>Variables of Service</b>	<b>Total Expect average</b>	<b>Total Percept average</b>	<b>Differences</b>
1	Tangible	22.3	21.9	-0.4
2	Reliability	27.2	26.7	-0.5
3	Responsiveness	21.6	21.9	0.3
4	Assurance	21.6	21.9	0.3
5	Empathy	27.7	28.3	0.6

**Source:** field data

The above table shows the total average scores differences within the Variables of services that tested by the Researcher, through questionnaires, the questionnaires was given to respondent and they answer them as per each question. As the table 4.14 shows the average scores per each variable in both parties Expectation and Perception of services. The average was taken at each variable of service and shows that number of variable's service differences seems to be less than 0.5, per each variable except in Reliability and Empathy variables which have the difference of -0.5 and above, and this is the results of some questions responded by the customers seems to have not satisfying them and due to what they Expect is not they Perceive from the Bank service.

In Reliability of service particularly in question number 5, which state that "When an excellent bank promises to do something by ascertain time, they was do so". The respondent did not show the value of this statement by showing that the statement is Little important hence because number of respondent comment so, this is revealed because the average scores of Reliability Variables on such a statement have the have a huge gap of 0.3.

In Empathy Variable the scores seems to have a gap in question 19 stated that "An excellent bank was have opening hours convenient to all of its customers" and question 20 state that "An excellent bank was have staffs who give its customer personal attention" were, the gap is favored and shows that the customers are real satisfies with the services provided by the Bank of Akiba, because the customers expect low from what they Perceive hence they perceive high from what they expect. So this led to

customer's satisfaction and it can help for the bank to retain their customer thus the Bank can use it as the competitive advantage against the other Bank

## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION**

#### **5.1 Introduction**

Summary of Findings from the Research. This chapter summarises the results of each service quality Dimension that has an effect on customer satisfaction through Akiba Commercial Bank as follows..

#### **5.2 Tangibles**

Tangibles include the appearance of the corporation physical facilities, materials and equipment. The research shows that it has positive effect and high significance with the customer services. The AKIBA bank shows a great role on this hence according to the findings, there is a slight gap between the Customer expectation and what they Perceive from the bank concerning the tangibility of the service at an excellent.

##### **5.2.1 Reliability**

The term Reliability is about the accuracy and correctness in the service provided by organizations. The reactions of research on the dimension of reliability have very important effect on customer satisfaction. Due to the rapid and expansion of technologies, helps much the bank like Akiba, to fulfill the customer demand with saving time on services, example each of the branch have got machines that was help customers to choose what they service they want example, ATM machines, and customer helping desk, staff are reliable on helping customers with the banking problems.

In the finding on reliability of service the average gap between what customers expecting and Perceiving is -0.5 as shown in a table 4.14 above which a courage to ward customers satisfaction, and this can help to retain customers, but it is negative slight gap.

### **5.2.2 Responsiveness**

Responsiveness is the timely reaction towards the customer needs and wants. This show how staff react and how wasing they are in respond toward customers' needs and demand. The summary of the results of responsiveness from the responses show to have a high effect on customer satisfaction. According to the average scores on Responsiveness of the service, the results shows a very small gap of 0.3 as shown in table 4.14 above between the Customer expectation and Customer perception, this small gap shows that what customer expect to get from the Akiba bank is what they Perceive and exceedingly, so the bank does well on this for the case of quality of service so this results into customer satisfaction.

### **5.2.3 Assurances**

An assurance is a means of being safe and this builds the trust and confidence to customers on the daily operation the customers feel safe on their daily transaction and banking services. In the findings the average scores of the results shows that, the customers are Safe and they have confidence on their daily transaction hence what they Expect is what they perceive, as shown in a table 4.14 above that the average difference is 0.3, this show number of customers are satisfied by the Assurance of service at the bank.

### **5.2.3 Empathy**

Empathy refers to politeness, respect, attention, and sociability of bank personnel and administrators. Since the results as table 4.14 indicated that empathy variable of service contributed very high effect on customers satisfaction, because the customer expect the low but they perceive the high service, hence they expect average scores of 27.7 but they Perceive the total average scores of 28.3, this shows the empathy of service is quality and effect to customers satisfaction than any other Variable of services, and through this the bank was be able to retain the customers.

### **5.3 Conclusion**

Tanzania banking industry is the upcoming industry with a lot of innovation and improvement, and this is sphere head by the number of customers that seek for the banking services, number of the customers that required banking service is tremendously increasing, and this makes the banks to improve their services so that they was Satisfies customers and retaining.

The emerging of banks in Tanzania create a high competition among them in banking industry, and each is fight for the customers. Also this led to service quality of the entire bank in order to have number of customers then the bank have to improve their service to be quality. It is undoubtedly, no business can exist without having customers, so that's why banks like AKIBA COMMERCIAL BANK, improve its services through having the mobile service where customer can call and get help at any time through phone. So its better for each bank to have competitive advantages out of other banks so that the

customers was be Satisfied through the service quality so that they can retain them. Based on the data analysis and findings, it look like there are very slight gaps between the service quality dimensions, this fact should be maintain by the entire bank in order to winning the customers, and retaining them also it is the competitive advantage against other bank in Tanzania banking industry.

#### **5.4 Reccomendations**

In this part of recommendation, the reasearche shows some concerns which arised from ACB bank . Here are some of the recommendations made by researcher as follows:

- i. The management of the ACB should focus into the customer claims like shortage of branches and ATMs machines in a positive way of success and improving their services toward their customer by implementing and working on all needs and wants of customers. And this was help to retain the customers that they have, because customer can only be retained by the quality services.
- ii. Marketing Manager of ACB should make sure that all the variables of services, that is Tangible, Responsiveness, Reliability, Assurance and Empathy are implimented well to boost the service quality so that to satisfies customer because these dimensions are direct relate to customers satisfaction in an industry, and not just concerning on one dimensions but should consider the all Dimensions of service quality.
- iii. The ACB Management should training their staff on the influence of service dimensions toward the customers satisfactions, they should be aware about them

and having the enough knowlegde on how to implement them so that was satisfies customers. They also should get to understand what the customers want and have to align in to the direction of service quality and not just services.

### **5.5 Suggestion for Future Study**

For the future study it is well suggested that could be better for the researcher to identify the specific item by using the SERVIQUAL Model. The researcher can identify the services quality on a specific items example Mobile Service that encompasses, M-Pesa, Tigo- Pesa, Airtel- Money, on how bank use them for Customers satisfactions.



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## APPENDICES

### Research Questionnaire

#### Questionnaire to the customer of ACB Bank

Beloved respondent, please kindly offer me few minutes of your time to fill out this questionnaire. It is purposely for academic reasons and all information provided was be treated with highly confidentiality.

#### Appendix 1: Personal particulars

##### 1. Age group

Please put a (V) where appropriate

18-30	
30-40	
40-50	
50-60	
60-70	

##### 2. Gender

Male	
Female	

### 3. Educational background

Primary education	
Secondary education	
Vocational training	
Colleges	
University graduate	

### 4. Employment

Employed	
Not employed	
Retired	
Owner of a company	
Student	

### 5. Bank status

Employer	
Bank employee	
Bank customer	

## **Appendix 2- SERVQUAL tool – part A .Expectation tools**

Instructions: please complete the following questionnaire relating to service quality. If you sense

The features listed in every statement are vital in your judgment of the bank, please circle 7. On the other finger if you feel the structures mentioned are of little significance, please circle number 1.

### **Tangibles**

(1) The good bank was have current observing apparatus, e.g. welcome Facility, . 1 2 3 4 5 6 7

(2) The material services, e.g. constructions, in an exceptional Bank was be visually likeable 1 2 3 4 5 6 7

(3) Operators at an brilliant bank was look neat,. 1 2 3 4 5 6 7

(4) Things connected with the service, e.g. payment forms, description statements Forms, was be visually attractive in a bank 1 2 3 4 5 6 7

(5) An Exceptional bank was have a good noticeable TM 1 2 3 4 5 6 7

### **Reliability**

(5) If a good bank tells to do something by a certain time, it was. 1 2 3 4 5 6 7

(6) When clients have difficulties, the friendly bank was show sincere Attention in solving it, e.g. an mistake in a payment 1 2 3 4 5 6 7

(7) The bank was complete service right,at the first time 1 2 3 4 5 6 7

(8) The good and friendly bank was deliver its provision at the time it Possibilities to do

so 1 2 3 4 5 6 7

(9) An exceptional bank was claim on good service 1 2 3 4 5 6 7

**Responsiveness**

(10) Bank attendant was tell clients accurately when services Was be done 1 2 3 4 5 6 7

(11) Workers at an admirable bank was give quick service to clients 1 2 3 4 5 6 7

(12) The Staff of the upcoming bank was always be wasing to help customers. 1 2 3 4 5  
6 7

(13) Workers at an exceptional bank was not ever be too busy to answer 1 2 3 4 5 6 7\

**Assurance**

(14) The performance of workers at an admirable bank was impart Confidence in  
customers 1 2 3 4 5 6 7

(15) Client of an brilliant bank was feel safe in their transactions 1 2 3 4 5 6 7

(16) Staff at an first-rate bank was be constantly polite with clients 1 2 3 4 5 6 7

(17) Staff at an exceptional bank was have the awareness to answer Customer's requests  
1 2 3 4 5 6 7

**Empathy**

(18) The bank was give customer customized care 1 2 3 4 5 6 7

(19) The favored bank was have opening hours suitable to all of its customers at a time  
1 2 3 4 5 6 7

(20) The good bank was have staffs who give its customer Individual attention

1 2 3 4 5 6 7

(21)The friendly bank at recently was have the customer' best interests at heart

1 2 3 4 5 6 7

(22 Staff of the upcoming good banks was understand the specific needs

of their customers

1 2 3 4 5 6 7



### **APPENDIX 3 – SERVQUAL tool – part B. Perceptions tools**

#### **Tangibles**

- (1) The well and good bank has contemporary looking apparatus 1 2 3 4 5 6 7
- (2) The physical facilities at the good bank are visually appealing 1 2 3 4 5 6 7
- (3) Staff of the upcoming good bank appear neat 1 2 3 4 5 6 7
- (4) In this bank, Things associated with the service are visually appealing 1 2 3 4 5 6 7

#### **Reliability**

- (5) When the bank assured to do something to customer by a certain time, it did it  
1 2 3 4 5 6 7
- (6) When the bank customer has problems, the friendly bank displays a genuine interest  
in solving them 1 2 3 4 5 6 7
- (7) The good bank` performs the service right the first time 1 2 3 4 5 6 7
- (8) The excellent bank provides its services at the time it assurances to do so  
1 2 3 4 5 6 7
- (9) The bank insists on error free service 1 2 3 4 5 6 7

#### **Responsiveness**

- (10) Staff of the upcoming good banks are able to tell customers accurately when  
services would be performed 1 2 3 4 5 6 7
- (11) Staff of the upcoming good banks give quick service to the customer 1 2 3 4 5 6 7
- (12) Staff of the upcoming good banks are always wasing to help customer 1 2 3 4 5 6 7

(13) Staff of the upcoming good banks are never too busy to respond to custom

1 2 3 4 5 6 7

**Assurance**

(14) The behavior of the bank personnel instills confidence in customers

1 2 3 4 5 6 7

(15) Customer of the good and well bank feel safe in their transactions

1 2 3 4 5 6 7

(16) Staff of the upcoming good banks are consistently courteous with customer 1 2 3

4 5 6 7

(17) Staff of the upcoming good banks have the knowledge to answer customers 1 2 3

4 5 6 7

**Empathy**

(18) The good and excellent bank gives customer individualized attention

1 2 3 4 5 6 7

(19) Staff of the upcoming good banks has opening hours convenient to all of its

customer 1 2 3 4 5 6 7

(20) Staff of the upcoming good banks give its customer personalized attention

1 2 3 4 5 6 7

(21) Staff of the upcoming good banks has the customers' best interests at heart

1 2 3 4 5 6 7

(22) Staff of the upcoming good banks understand the exact needs of their customer

1 2 3 4 5 6 7