THE EFFECT OF SERVICE QUALITY DELIVERY ON CUSTOMER SATISFACTION IN THE BANKING INDUSTRY IN TANZANIA: A CASE OF I&M BANK (T) LIMITED

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF THE OPEN UNIVERSITY OF TANZANIA

2019

CERTIFICATION

The undersigned certifies that she has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled: *"The Effect of Service Quality Delivery on Customer Satisfaction in the Banking Industry in Tanzania: A Case of I&M Bank (T) Limited"* in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) of the Open University of Tanzania.

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(Supervisor)

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Date:

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DECLARATION

I, **Gideon Mbeta Rwegerera,** do hereby declare that this dissertation is my own original work and that it has not been submitted and will not be presented for a similar degree in any other university.

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Signature

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Date

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DEDICATION

I dedicate this dissertation to my beloved parents (Mr. & Mrs. Clement Stanslaus Rwegerera) who always advise me to study very hard but also to my wife Alice G. Rwegerera and my Children; Gedaliah and Giovanna for their endless prayers towards my success. God bless you.

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ABSTRACT

The main objective of the study was to assess the effect of service quality delivery on customer satisfaction in the banking industry, which determine the relationship between the main antecedents of customer satisfaction in banks services namely expectation and perceived service quality. The service quality gap was established using SERVQUAL model by comparing expectations with actual perception of services. Scale reliability was assessed using Cronbach's alpha to determine the internal consistency of the measurement scale. Also statistical techniques such as paired sample t- test, mean and standard deviation were calculated. Correlation analysis was used to establish the relationship between service expectation and perception of service quality towards customer satisfaction. The findings showed that customer expectations are more than their perceived service in all the service quality dimensions except for Tangibility. Therefore, service quality in the banking industry was slightly lower than customer expectations. Correlation analysis results indicated that Expectations and Perceptions have a statistically positive significant linear relationship with customer satisfaction. The study recommends future studies to be conducted in other banks with more branches in the country. A similar study is also recommended to be done using a different methodology to see if the same results will be obtained

Key words – SERVQUAL, Expectation, Perceived Service and Customer satisfaction.

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LIST OF ABBREVIATIONS

ATM	Auto Teller Machine
BOT	Bank of Tanzania
EDP	Expectancy–Disconfirmation Paradigm
MBA	Master of Business Administration
SERVQUAL	Service Quality
SERVPERF	Service Performance

CHAPTER ONE

INTRODUCTION

1.1   Chapter Overview

This chapter covers the background to the problem, statement of the research problem, research objectives, and research questions. The significance and scope of the study are also addressed.

1.2   Background to the Problem

Customer care has never been a static phenomenon, rather it has been in a constant process of change throughout history (Millas, 2013).The nature of banking industry in Tanzania has gone through various stages of transforming traditional service delivery into customer service delivery in order to meet customer satisfaction. In the competitive economy, customer satisfaction has come under public interest due to stiff competition where organizations are trying to take competitive advantage through the human factor and customers (Singh *et al.*, 2011). Business environment in developed and developing countries has changed due to globalization and free trade as a result there have been a lot of development in the service industry. In view of this situation, managers must know how to handle changes, which are unpredictable by cementing on customer satisfaction in order to survive in the competitive business environment (Naseem *et al.*, 2011).

In developing countries, customer satisfaction has become important for the success of banking institutions. Suggested reasons for this apparent trend include flexible employment, higher mobility and competition in banking industry (Panda, 2003).

Thus, understanding customer satisfaction based on service provided in banking institutions is important not only from economic perspective but also from creation of good image of banking institutions for organizational and staff development.

The constant change in demographics coupled with the high customer expectations make organizations to rethink their customer service delivery strategies. Strategies that worked in the past are less effective and required more effort to execute (Harrington and Akehusrt, 2000). Various organizations are struggling to find unique way to balance between delivery of service, the cost of the delivery and customer expectations (Buchichi, 2013). As a result banks have introduced new customer friendly measures such as 24-hour banking, seven-day banking, internet banking, extended business hours, ATM network, corporate banking, and mobile banking etc. to remain competitive in the market. Today, customers are becoming more aware of the options and offers provided by the bank in order to retain them as potential customers (Sachdev and Verma, 2004).

Bank customers are likely to focus on bank employees' responsiveness to their problems, promptness in giving services, ability of the banks to fulfill promises made to customers, and commitment and willingness of bank employees to serve customers. Also customer assurance like safety of transaction and consistency in service delivery are other criteria which customers are likely to focus on. Therefore all banks irrespective of whether they are private or public should focus on increasing reliability, responsiveness and assurance (Mistry, 2013).

Several studies on satisfaction of bank customers have been conducted including Shanka (2012) which portrayed positive relationship between service quality,

customer satisfaction and loyalty in Ethiopia; Awan *et al.* (2011) centered on the service quality and its relationship to customer satisfaction in Pakistan. Haq and Muhammad (2012) study judged against public and private sector banks of Pakistan by evaluating their customer satisfaction, where a study by Shah (2012) focused on factors affecting customer satisfaction in retail banking in India. Also Cudjoe et al., (2015), Rashed and Tabassum (2014), Mukhtar *et al.* (2014) who conducted studies on the relationship between service quality and customer satisfaction and found out that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. On top of that Mboma (2006) conducted a study on the effect of ATMs on customer satisfaction in the Tanzanian banking sector.

I&M Bank (T) Limited is no exception to this. It is therefore important that I&M Bank manages the relationship with its customers to enable the bank compete in the market. In recent times the banking environment has been keenly competitive and therefore requires the players to be more skillful in their strategic approach to meet the growing demands of customers. Effective management of customer relationships is believed to be means in the approach of winning and maintaining customers' satisfaction.

1.3   Statement of the Research Problem

With the growing competition that companies are facing today, rewards will accrue to those who can examine precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers (Buchichi, 2013). Customer satisfaction is the most important factor in service provision. Whenever the

company fails to satisfy the customers it will be replaced by others (Khurshid *et al.,* 2012). The underlying assumption is that there is a positive relationship between service quality expectations and customer's perception.

In modern competitive business environment, quality services are increasingly becoming more important. According to Wilson *et al*., (2008) customer satisfaction is influenced by the quality of product and services offered by institutions. Other crucial determinants of customer satisfaction include price, personal and situational factors (Lee *et al*., 2000). If these determinants are not satisfactory capable of convincing customers loyalty, the overall competitiveness of a business will be at a stake (Wilson *et. al*., 2008; Wen-Yi *et al*., 2009).

The presence of service quality delivery strategies and customer satisfaction in banks may vary between banks in terms of technology service, mobile banking service, E-banking, and digital divide service.

Despite the effort provided by banks to improve their services, there is still evidence of challenges on quality of the service which leads to customer satisfaction (Felix, 2017). The studies conducted on service quality have been done in both developed and developing countries covering both service sector (Agus et al., 2007). However limited studies have been conducted in the banking industry in Tanzania and more specifically in I&M Bank, leaving a contextual gap to be filled by the current study. By addressing this gap the study will show whether I&M Bank is experiencing the same situation like other financial institutions.

1.4   Objectives of the Study

1.4.1   General Objective

The main objective of this study is to assess the effect of service quality delivery on customer satisfaction in the banking industry, the case being I&M Bank (T) Limited.

1.4.2   Specific Objectives

Within this framework, the study aimed to:

(i)   Identify the service quality dimensions in I&M Bank (T) Limited.

(ii)   Compare the level of customer expectation with actual perception of service quality.

(iii) Determine the relationship between expectation and perception of service towards customer satisfaction in I&M Bank (T) Limited.

1.4.3   Research Questions

The research questions of this study is summarized as,

(i)   What are the service quality dimensions in I&M Bank (T) Limited?

(ii)   What is the level of customer expectation and actual perception of service quality?

(iii) What is the relationship between the expectation of service and perception of service towards customer satisfaction?

1.5   Significance of Study

The preparation of this dissertation is a pre requisite for accomplishing my Master of Business Administration (MBA) degree. The findings from this study are likely also to be used as references for further research work by anyone who might be interested

in this area of study. The study are likely to contribute academically towards future research by leveling the sensitivity of different attributes of service quality on the customer satisfaction and providing strategies to be put in place in order to meet customers' needs in terms of satisfaction. The findings of the study are likely to assist service providers (financial institutions) to identify service quality dimensions that most predict customers' satisfaction, in order to concentrate on them according to their degree of importance.

The findings of this study are likely to assist policy makers in different bank including I&M Bank Limited its self, government and general public. They are likely to use it while reviewing and drafting policies that act as guidelines on approach that they always consider to ensure customer satisfaction. Finally the study is likely to help customers to express their feelings and perceived position on the way banks are delivering services, with expectation to receive improved service quality.

1.6   Limitation of Study

Although the research achieved its objectives, there were some unavoidable limitations. The quantitative research approach is normally using probabilistic sampling techniques but because of environmental limitation the researcher decided to use non probabilistic sampling technique because of its convenience. The sample size of this study was 157. This sample size was considered to be small relative to the number of bank customers in Tanzania. This study covers the customers of I&M Bank in some selected branches in Tanzania. The other public and foreign banks that have a role in the banking industry in Tanzania were excluded from this study.

1.7   Scope of the Study

Geographically: The study was conducted for the customers in three out of eight branches of I&M Bank (T) Limited namely: Arusha Branch, Maktaba Branch and Moshi Branch. Theoretical scope: The study was guided by the Service Quality model developed by Zeithaml et al (1988), which looks at difference between customers' expectations and perception that may lead to satisfaction through the dimensions of service quality. Content scope: The study specifically looked at the respondents' profile, identifying the dimensions of service quality, comparison on the expectation and perception level of service quality delivered and the relationship between expectation of service and perceived service towards customer satisfaction and recommended strategies to enhance customer satisfaction.

1.8   The Structure of the Dissertation

Chapter one introduced the background of the study, statement of problem, the objectives of the study, research question and the significance of the study. The definitions of the basic concepts used in the study together with the theoretical and empirical literature review, and the research gap are covered in chapter two. A conceptual framework is presented at the end of the chapter. The methodology is covered in chapter three and comprises of research philosophy, research design, area of the study, population of the study, sample size, sources of data, reliability and validity of data, data analysis and ethical consideration. Chapter four outlines the findings of the study and discussion on the findings. Conclusions and recommendations are given in chapter five together with suggestions for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1   Chapter Overview

This chapter begins by defining the basic concepts used followed by theories supporting the study. Review of empirical literature from both developed and developing countries followed by a summary of empirical literature review plus a conceptual framework.

2.2   Definition of Basic Concepts

2.2.1   Customer Satisfaction

There are several definitions for customer satisfaction in the marketing literature. According to a widely accepted conceptualization, customer satisfaction is a customer's post-consumption evaluation of service (Mittal and Frennea, 2010). This only occurs if the perceived service meets or exceeds customers' prior expectations (Bearden and Teel, 1983; Oliver 1980, 2010). Thus, overall customer satisfaction with a company's offerings is determined by comparisons between customers' expectations of the company's services and their perceptions of the services' delivered (Fornell 1996; Oliver 1980, 2010). The current study has adopted the definition because this study focuses on this gap, the difference between customers' expectations and perceptions of service.

2.2.2   Service Quality

Service quality is the comparison between customer expectations about a service and their perception of the way the service has been delivered (Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Parasuraman et al., 1985; 1988; Caruana, 2002).

Service quality is defined as the degree of contradiction between customers' perceptions of service performance and their normative expectation for service (Parasuraman et al., 1985). The current study adopted the definition by Parasuraman et al., 1985 because it proposed a more specific list of service quality dimensions.

According to Asubonteng et al (1996) service quality is the difference between the customer expectations for service performance prior to the service encounter and their perceptions of the service received. Gefan (2002) defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Parasuraman *et al.*, (1988) proposed a more specific list of service quality dimensions. According to them, the overall evaluation of service quality derives from the evaluations along five dimensions named Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

2.2.3 Reliability

The service provider's ability to provide accurate and dependable services; consistently performing the service right. Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely.

2.2.4 Assurance

Knowledgeable and courtesy of employees and their ability to inspire trust and confidence (such as the firm's specific service knowledge polite and trustworthy behaviours from employees). Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

2.2.5   Responsiveness

(Hernon and Nitecki, 2001) defined responsiveness as the act of keeping customers informed as to when a service will be performed, prompt service to customers, willingness to help customers and readiness to respond to customer requests. If a service fails to occur, the ability to recover quickly and professionally can generate very positive perceptions of quality.

2.2.6   Empathy

It stands for caring, individualized attention the firm provides its customers, convenient business hours, employees who understand the needs of their customers. Parasuraman et al. (1985) defined empathy as the caring and individual attention the firm provides to its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenient business hours.

2.2.7   Tangibility

It includes modern equipment, visually appealing facilities, employees of neat, professional appearance and visually appearing materials associated with the service. Tangibles relate to the physical cues that are a component part of the service delivery process (Zeithaml et al, 2000; O'Neill and Palmer, 2003).

2.2.8   The SERVQUAL

SERVQUAL represents service quality as the discrepancy between customer's expectations for a service offering and the customer's perceptions of the service received, (Parasuraman *et al.,* 1988).
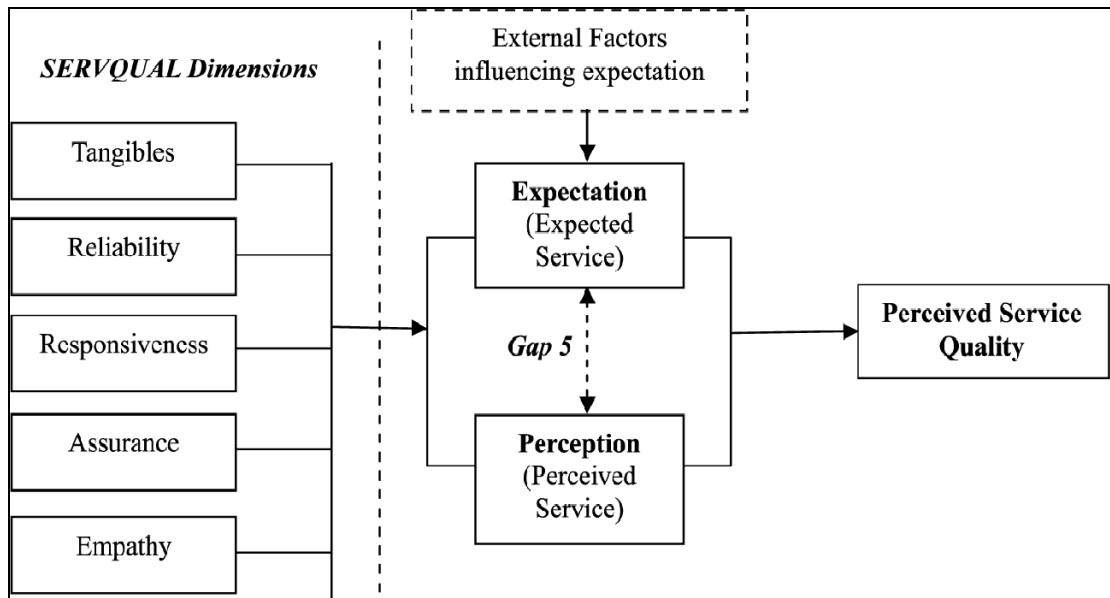
Figure 2.1: SERVQUAL Model

Source: Kumar et al., 2009

According to Parasuraman *et al.,* 1988 five gaps have been explained first, customer expectation-management perception gap: second, service quality specification gap: third, service delivery gap: fourth, external communication gap: fifth, expected service-perceived service gap.

The bank customer's expectations are subject to external factors, which are under the control of the service provider as shown on the Figure 2.1. Gap 5 on the figure represents the discrepancy between customers' expectations and customers' perceptions, which is referred to as the perceived service quality (Kumar *et al*., 2009).

This research focus on this gap that concentrates on the difference between customers' expectations and perceived service within banking industry towards customer satisfaction in I&M Bank (T) Limited.

2.3   Theories Supporting the Study

The theories used in the study include assimilation contrast theories (1961), Dissonance theory (1957), Expectancy-Disconfirmation (1980). Early theories of the satisfaction concept assume that consumers may either exaggerate (the Assimilation Contrast Theories) proposed by Sheriff and Hovland (1961) or adjust (the Dissonance Theory) the perceived disparity between the product performance and the initial expectations or the norm developed by Festinger (1957). Drawing on these two early satisfaction theories, Oliver (1977; 1980) developed the Expectancy-Disconfirmation paradigm, which postulates that if the outcome of a product is judged to be better than or equal to the expected, the consumer will feel satisfied. If, on the other hand, actual outcome is judged not to be better than expected, the consumer will be dissatisfied.

The four main variables in the model informed the conceptual frameworks are expectations, perceived performance, disconfirmation, and satisfaction. Expectations-confirmation theory posits that expectations, coupled with perceived performance, lead to post-purchase satisfaction. This effect was mediated through positive or negative disconfirmation between expectations and performance. If a product outperforms expectations (positive disconfirmation) post-purchase satisfaction will result. If a product falls short of expectations (negative disconfirmation) the consumer is likely to be dissatisfied (Oliver, 1980, Spreng, et al., 1996).

According to Oliver (1980), consumers' confirmation level and expectations positively affect their satisfaction with the product or service. Consumers tend to be more satisfied when their expectations are confirmed; conversely, they tend to be dissatisfied when the perceived performance cannot meet prior expectations.

Expectations reflect anticipated behavior (Churchill and Suprenant, 1982). They are predictive, indicating expected product attributes at some point in the future (Spreng et al. 1996). Performance is an evaluation by the individual after the event, such as a perception of product quality (Oliver 1980).The theories do influence the study due to the fact that affective feelings toward a product or service will be inversely related to the magnitude of the discrepancy, that 'satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations'.

In contrast to EDP which assumed satisfaction resulting from disconfirmation of predictive expectations, LaTour and Peat's (1979) Comparison Level Theory viewed satisfaction as a function of comparison between product performance and consumers' past experiences and experiences of other consumers. Westbrook and Reilly (1983) introduced the Value-Percept Theory which proposes that satisfaction is an emotional response that is triggered by a cognitive evaluative process in which the perceptions of an offer are compared to one's values, needs, wants or desires, in contrast to expectations suggested in Oliver's EDP model. While several comparison standards have been proposed in the literature, no consensus exists concerning which standard best predicts customer satisfaction (Cote, Foxman and Cutler, 1989; Erevelles and Leavitt, 1992).

2.4   Empirical Literature Review

2.4.1   The Worldwide Context

Mukhtar *et al*. (2014) documented on customer satisfaction towards financial services of banks in Bahawalpur, Pakistan. The study used correlation analysis to check the

intensity of relation of customer satisfaction with dimensions of service quality. These dimensions included reliability, assurance, responsiveness, empathy and tangibility. The study found that service quality was positively related with customers' satisfaction. The most important variable that affected customer satisfaction was tangibility, followed by assurance, reliability, empathy and responsiveness. The study was conducted in Asia. Based on these findings, a similar study was conducted in Tanzania to identify determinants of service quality in the fast growing banking industry based on SERVQUAL instrument by comparing expectations with perception on five dimensions of Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Hong and Marimuthu (2014) examined the relationship between service quality and customer satisfaction in the Malaysian banking industry. They used SERVQUAL instrument questionnaire. Several analysis methods were used. A multivariate regression analysis was performed and the results reveal that the expectations of Malaysian banks were higher than perception in terms of service quality. Their expectations were not met and that the largest gap was found in Reliability dimension.

The findings from regression analysis suggest that banking service quality significantly influenced customer satisfaction. In addition, the results from multiple regression analysis show that the Tangible dimension has the largest influence on customer satisfaction. The research based on the environment on which it was conducted identified a contextual gap, also have used different methods like regression and questionnaires to collect and analyze data. The researcher also found a methodological gap and decided to use another method that is Pearson's linier

correlation coefficient to establish whether there is any significant relationship between service quality delivery and customer satisfaction.

Awan *et al.* (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. They carried a survey using a modified SERVQUAL scale to 200 walk-in customers conveniently drawn. The study used regression analysis and identified five service quality dimensions namely; empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services and knowledge for the overall banking. The results show a positive correlation among the dimensions and customers satisfaction. This study was done in Islamic Banking and it used regression analysis. Based on this, a study was conducted in Tanzania using Pearson's linier correlation coefficient by comparing expectations with perceptions on five service quality dimensions.

Angur *et al,* (1999) examined the applicability of alternative service quality measure in the Retail Banking industry in India. They used SERVQUAL model to determine the overall service quality. The result indicated that 'responsiveness' and 'reliability' seem to be the most important dimensions followed by empathy and tangible dimensions; whereas, assurance appears to be the least important dimension.

Wong *et al,* (2008) examined traditional service quality in an e banking era using five SERVQUAL dimensions. Factor analysis and the quadrant analysis methods were used. Results revealed small gaps in tangibility and assurance indicating that the banks

were performing well in terms of physical facilities and appearance and in building trust and confidence. Highest gaps were observed in Responsiveness, empathy and reliability implying that the banks were performing poorly in providing prompt services, individualized attention and dependability and accuracy.

Kumar *et al,* (2009) Determining the relative importance of critical factors in delivering service quality in banks in Malaysia, using modified SERVQUAL consisting of 6 (5 original SERVQUAL dimensions + 1) dimensions: tangibles, reliability, responsiveness, assurance, empathy + convenience. Factor analysis was used in analyzing the data and reduced the factors into 4 (tangibility, reliability, competence and convenience). The result was poor service quality because customers' perceptions were lower than expectations. Tangibility and reliability had the lowest service quality gap while competence and convenience had the largest gaps indicating problems of poor service quality. The gap for convenience was relatively larger than competence.

2.4.2   The Africa Context

Shanka (2012) studied the relationship between service quality, customer satisfaction and loyalty using five dimensions of SERVPERF model, which are reliability, assurance, tangibility, empathy and responsiveness in private banks in Ethiopia. The study used correlation and multiple regressions to analyze data from a convenient sample of 260 respondents. The research confirmed that empathy and responsiveness play the most important role in customer satisfaction level followed by tangibility, assurance, and finally reliability. The research findings also indicated that offering a high quality service increase customer satisfaction, which in turn leads to high level of

customer commitment and loyalty. The study differs from the current one which has been conducted in Tanzania using correlation analysis, as it was conducted in Ethiopia using correlation and multiple regressions.

2.4.3 The Tanzania Context

Lwiza and Nwankwo (2002) report on the successful Market-driven transformation of banking sector in Tanzania, the banking reforms have impacted profoundly on marketing in Tanzania. The study focused on customer sensitivity on how banks are responding to problems and failures as a means for their satisfaction and this study used service quality dimensions to find the relationship between expectation of service and perceived service towards customer satisfaction.

Mboma (2006) studied the effect of ATMs on customer satisfaction in Tanzanian banking sector by interviewing customers of three banks as a case study. The study established that ATM services enhance operations and customer satisfaction in terms of flexibility of time. Also they add value in terms of speedy handling of voluminous transactions which traditional services were unable to handle efficiently and expediently. However the level of satisfaction is reduced by technological and processing failures, the perception that the service delivery mode is expensive and insecure regarding stand-alone ATMs, which creates customer dissatisfaction. This study differs from the current one which is based on ATM as the main factor towards customer satisfaction.

A study conducted by Kamala (2000) on the performance of financial institution in Tanzania revealed that not much consideration is given to the concept of providing consumers with quality service and satisfaction The study of Kamala concentrate on

advancement in technology as a means for customers to decide on the bank service
that satisfied them and this study used service quality dimensions to measure customer
satisfaction.

Table 2.1: A summary of Empirical Literature Review

Author	Title	Methodology	Finding
Mukhtar *et al.* (2014)	Customer Satisfaction towards Financial Services of Banks	Correlation analysis	Positive relationship between service quality and customer satisfaction
Hong and Marimuthu (2014)	Relationship between Service Quality and Customer Satisfaction	Multivariate regression analysis Regression analysis	Positive relationship between service quality and customer satisfaction.
Awan *et al.* (2011)	Service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks	Regression analysis	Positive relationship between service quality and customer satisfaction
Angur et al (1999)	Service quality in the banking industry: an assessment in a developing economy	Regression analysis	Positive relationship between service quality and customer satisfaction
Wong et al (2008)	Re-Examining Traditional Service Quality in An E-Banking Era	Factor Analysis & Quadrant Analysis	Positive relationship between service quality and customer satisfaction
Kumar et al (2009)	Determining the Relative Importance of Critical Factors in Delivering Service Quality of Banks: An Application of Dominance Analysis in SERVQUAL Model	Factor Analysis	Positive relationship between service quality and customer satisfaction
Shanka (2012)	Measure the quality of service offered by private banks operating in Ethiopia	Correlation and multiple regression	Positive relationship between service quality and customer satisfaction

Source: Compiled from empirical literature review of this study

2.5   Research Gap

There are limited studies conducted on the effect of service quality on customer satisfaction in the banking industry in Tanzania using SERVQUAL model because most of the studies reviewed have been conducted in other countries and other sectors than in banks hence creating a contextual gap (Mukhtar et al., 2014; Hong and Marimuthu, 2014; Shanka, 2012; Awan et al., 2011; Kumal et al., 2009; Wong et al., 2008; Angur et al., 1999).

This study therefore aimed at filling this knowledge gap.

2.6   Conceptual Framework

The conceptual framework developed illustrates the relationship existing between service quality and custom satisfaction.

Independent Variables   **Dependent Variable**

Service Quality
Tangibility
Reliability
Responsiveness   ⟶   Customer Satisfaction
Assurance
Empathy
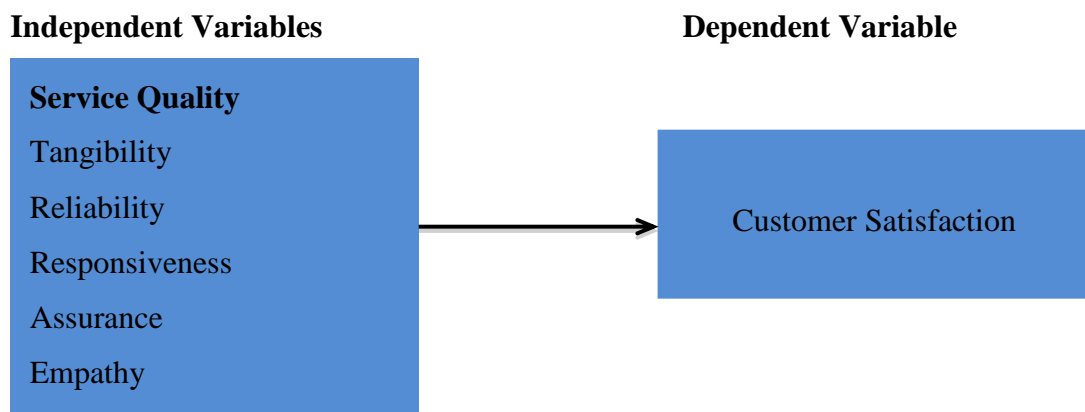
Figure 2 2: Conceptual Framework

Source: Researcher's 2018

The conceptual framework has been prepared basing on variables from the SERVQUAL model (Zeithaml et al., 1988). Independent variables used in the frame work are dimensions of service quality measured by Tangibility, Responsiveness,

Reliability, Empathy, and Assurance; Dependent variables is customer satisfaction measured by difference between perceived service and expected service that may lead to satisfaction through the dimensions of service quality.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview

This chapter explains the methodology applied in carrying out the research. It starts by highlighting the research philosophy guiding the study followed by a description of the research design and study area. Subsequent to this is a description of sample size and its selection techniques followed by questionnaire design and operationalization of the research variables. The validity and reliability of the research instrument is then tested. The chapter ends with data presentation and analysis.

3.2 Research Philosophy

Research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. The research philosophy adopted in this study was postpositivism. It represents the thinking after positivism, challenging the traditional notion of the absolute truth of knowledge (Phillips and Burbules, 2000) and recognizing that we cannot be positive about our claims of knowledge when studying the behavior and actions of humans. It is mainly applicable to quantitative research approach for testing research questions by examining the relationship among variables. These variables, in turn, were measured, typically on instruments and the numbered data were analyzed using statistical procedures. To avoid being objective the standards of validity and reliability were used.

3.3 Research Design

A cross sectional research design using descriptive statistics was adopted in the study. Explanatory research design was also used for the correlation. A cross sectional

research is a study of a particular phenomenon at a particular time as opposed to a longitudinal research which examines study variables over a long time horizon (Saunders *et al.,* 2009). The current study was cross sectional because it was undertaken as a pre requisite for accomplishing the MBA degree programme and the submission of the final dissertation marked the end of the research. A descriptive research design was used for portraying an accurate profile of a situation, events or persons in form of determining frequencies with which events occurred. The design also involved determinations of Means and comparisons between expectations and perceptions of customers. As very few studies have been conducted in Tanzania explanatory research using available literatures was conducted in order to help us find the identified research problems that were not studied before in-depth to help find the correlation more efficiently. Explanatory research allowed the researcher to tackle such problems where limited research were done using correlation analysis.

3.4   Area of the Study

The study was conducted at selected branches of I&M Bank (T) Limited which are Arusha, Moshi & Maktaba branches as it was much easier for the researcher to meet respondents, clarify about the questionnaire and collect the required data.

3.5   Population and Sample of the Study

The study population was made up of customer of I&M Bank branches who were requesting or not requesting services at the time questionnaires were distributed. The population for the study was 260 customers from the three selected branches. The sample size was 157 respondents and was determined using the Sloven's formula:

$$n = \frac{N}{1 + N(e)^2}$$ Where n=Sample size, N=Accessible population and e=Level of significance at 0.05.

n = $^{260}/_{1+260(0.05)^2}$

n = $^{260}/_{1+260(0.0025)}$

n = $^{260}/_{1+0.65}$

n = $^{260}/_{1.65}$

n = 157.5757 ≈ 157

Table 3.1: Population and Sample Size

Branch name	Sample size
Arusha Branch	94
Moshi Branch	35
Maktaba Branch	18
Total	**157**

3.6   Sampling Technique

The research used non-probabilistic sampling technique, specifically convenience sampling technique to collect data because it is fast, inexpensive, and easy and the subjects are readily available. The sample of this research was made up of customers who have been demanding service from I&M Bank branches under study during the data collection period.

Researchers used convenience sampling not just because it is easy to use, but because it also has other research advantages. Convenience sample is usually used because it allows the researcher to obtain basic data and trends regarding his study without the complications of using a randomized sample.

3.7 Variables and its Measurement

3.7.1 Variables

The researcher intended to determine the influence of service quality on customer satisfaction in banking industry. The Table 3.2 describes the independent and dependent variables and its measurement.

Table 3.2: Measurement of Independent and Dependent Variables

Service quality dimensions	25-Item scale
Independent Variables	
Reliability	Providing service as promised
	Dependability in handling customers' service problems.
	Performing services right first time
	Providing services at the promised time
	Maintaining error-free record
Responsiveness	Keeping customer informed as to when service will be performed
	Prompt service to customers
	Willingness to help customers
	Readiness to respond to customers'
	Efficient system to deal with customers, complaints
Assurance	Making customers feel safe in their transactions
	Employees who are consistently courteous
	Employees who have the knowledge to answer customers' questions
	Employees who instill confidence
	Staff are always friendly and polite to customers
Empathy	Convenient branches and operate in extended hours
	Employees who deal with customers in a caring manner
	Having the customer's best interests at heart
	Employees who understand the needs of their customers
	Convenience business hour
Tangibles	Modern equipment
	Visually appealing facilities
	Employees who have a neat, professional appearance
	Comfortable chairs and adequate space
	Visually appealing materials associated with the service
Dependent Variable	
Customer Satisfaction	Perceived Service – Expectation of Service

Source: Chun Wang and Zheng Wang, 2006

3.7.2   Measurement Procedure

In the measurement of independent and dependent variables, Likert scales were used in order to identify the respondents' leveling on perceived banking service through statistical techniques of correlations between dependent variable and independent variables. Total number twenty-five questions on service quality dimensions were administered to the sample of the population on which the analysis was based. All items are responded to on a Likert scale of 1-5, where 5 = Strongly agree and 1 = Strongly disagree. This is so throughout the scale a high score on a question indicates a high belief in expectation/perceived service.

3.8   Data Collection Technique and Instrumentation

Questionnaire technique was used for data collection of this study. Questionnaires were distributed to respondents under the researcher supervision. All respondents were given a questionnaire with explanation before filling in. There are several reasons behind the selection of this method. First, it allows large amounts of information to be obtained at a relatively low cost. Second, more accurate and precise responses are obtained because interviewer bias can be avoided.

3.9   Validity and Reliability of the Research Instrument

3.9.1   Validity Test

It measured the truthfulness of the research results (Kothari 2012). Construct validity, face validity and content validity was used as the measuring instrument to determine the intended purpose of the questionnaire.

3.9.2   Reliability

The study used Cronbach's alpha as a method of measuring internal consistency, to evaluate whether the scale was reliable. The required Alpha threshold is .70 and above (Nunnally 1994). According to Polit and Beck (2004), Reliability is the consistency with which the instrument measures the target attribute.

3.10   Data Analysis and Presentation

Data were analyzed using SPSS's frequencies and percentages, means, Paired Sample t Test and Pearson's Linear Correlation Coefficient. Descriptive statistical analysis used as the tool for initial data analysis. After data collection completed Self-Administered Questionnaires were coded, edited, categorized and entered into a computer for the Statistical Package for Social Science (SPSS) for data processing and analysis. Codebook involves deciding and documenting how the researcher go about, first defining and labeling each of the variables second assigning numbers to each of the possible responses (Julie 2013).Means were used to analyze data on the relation of customer's expectation and perception on service quality towards customer satisfaction. Paired Sample t Test was used as pre – test for significance and then Pearson's linear correlation coefficient was used to establish whether there is any significant relationship between expectation of service and perception of service towards customer satisfaction I&M Bank (T) Limited.

3.11   Ethical Consideration

The primary ethical requirements in conducting the study were strictly upheld without any infringements as the study was carried out only after the expressed consent of participants (informed consent). Respondents were duly informed of the fact that the

study was basically for academic purpose and that they were under no compulsion to respond to the questionnaire. Furthermore, the respondents participated voluntarily whilst assuring them of anonymity and confidentiality on the information given. In order to avoid plagiarism, all sources of information were duly acknowledged. Finally, research clearance was obtained from the Directorate of Research and Post Graduate Studies of the Open University of Tanzania before data collection.

3.12   Chapter Summary

The chapter reviewed the research methodology adopted for this study. The chapter identified methods/sources of data collection, study design, study population, sampling design and sample size and types of research. Data analysis and interpretation was addressed after testing the validity and reliability of the research instrument.

CHAPTER FOUR

FINDINGS AND DISCUSSION ON FINDINGS

4.1   Chapter Overview

This chapter presents findings and discussions on findings and it covers basic profile of respondents, results of validity and reliability tests, findings related to the study objectives and discussion on findings.

4.2   Basic Profile of Respondents

The survey sample comprised of 157 respondents. The results in Table 4.1 show that male formed the majority of the respondents. With regard to their age the majority of the respondents were of the age below 30 years. Half of the respondents had degree level and above. Half of the respondents had savings account, about one third had current account while the remaining minority comprised of children account, NGO account and recurring account.

Table 4.1: Respondent's Profile

Respondent's Profile		Frequency	Percent
Gender	Male	95	60.5
	Female	62	39.5
Age	Below 30 years	85	54.2
	Above 30 years	72	45.8
Education	Degree & above	80	51
	Diploma & Below	77	49
Account	Current Account	51	32.5
	Savings Account	79	50.3
	NGO Account	6	3.8
	Children Account	15	9.6
	Recurring Account	6	3.8

Source: Field Data, 2018

4.3   Testing Validity and Reliability of the Research Instrument

4.3.1   Testing Validity and Reliability

Validity measures the truthfulness of the research results (Kothari 2012). Face validity was done by a supervisor by checking the measuring instrument to determine the intended purpose of the questionnaire. Content validity showed the research instrument was able to cover the content with respect to the variables and tests. For the standard the results predicted high correlation with the existing instrument as they were measuring similar variables.

Reliability can be described as the stability of the measure (Ghauri & Gronhaug 2005). The study used Cronbach's alpha, as a method of measuring internal consistency, to evaluate whether the scale was reliable. The required Alpha threshold is .70 and above (Nunnally 1994). The alpha coefficient for the 25 items for both expectation and perception were .912 and .924 respectively, suggesting that the items had relatively high internal consistency. Table 4.2 showed this as an excellent reliability with reference to Cronbach's alpha description. This reliability value for the study was substantial considering the fact that the highest reliability (Eigen value) that can be obtained is 1.0 and this is an indication that the items of the five dimensions of SERVQUAL model were accepted for analysis.

Table 4.2: Reliability Statistics

Reliability Statistics – Expectation

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.912	.925	25

Reliability Statistics – Perception

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.924	.925	25

4.4 Findings and Analysis for each Research Specific Objective

4.4.1 Results of Objective One

To identify the service quality dimensions was the first objective in this study. The results in Table 4.3 show the customers' expectations regarding the statements relating to all service quality dimensions. Data analysis using SPSS's descriptive statistics for all dimensions had mean figures, which ranged from 3.80 to 4.25. In terms of relative importance of each dimension, reliability had the most important dimension with mean 4.25 very high level compared to assurance, tangibility, responsiveness and empathy, which fell on high levels. Lowest standard deviation went to reliability service variable (0.4748) and the highest to tangibility (0.7609). In general the service quality dimensions on customer expectation range from high level to very high level.

Table 4.3: Service Quality Dimensions on Customer Expectation

Descriptive Statistics					
Dimension	N	Mean	Std. Deviation	Interpretation	Rank
TANGIBILITY	157	4.0573	.7609	High Level	3
RELIABILITY	157	4.2548	.4748	Very High Level	1
RESPONSIVENESS	157	3.9414	.7032	High Level	4
ASSURANCE	157	4.0828	.5896	High Level	2
EMPATHY	157	3.8051	.6868	High Level	5
Valid N (listwise)	157				

Source: Primary Data 2018

Table 4.4. Findings portray one dimension tangibility with the very high level of service quality at mean 4.2140. The other three service quality dimensions (assurance, empathy and responsiveness) with high level. However, on the other hand, results show a moderate level of service quality came from reliability at mean 3.3325. Lowest standard deviation went to responsiveness service variable (0.7857) and the highest to Reliability (0.8529).

Table 4.4: Service Quality Dimensions on Actual Perceived Service

Descriptive Statistics					
	N	Mean	Std. Deviation	Interpretation	Rank
TANGIBILITY	157	4.2140	.7919	Very High level	1
RELIABILTY	157	3.3325	.8529	Moderate level	5
RESPONSIVENESS	157	3.4573	.7857	High level	4
ASSURANCE	157	3.7299	.8363	High level	2
EMPATHY	157	3.6344	.8019	High level	3
Valid N (listwise)	157				

Source: Primary Data, 2018

Note: The mean is derived from the scale of 1=strongly disagree to 5=strongly agree.

Key: Mean range Interpretation on the service quality dimensions
4.21 – 5.00 Very high level
3.41 – 4.20 High level
2.61 – 3.40 Moderate
1.81– 2.60 Low level
1.00 – 1.80 Very low level

These findings are almost similar to studies carried out by Cudjoe et al. (2015) and Awoke (2015). Cudjoe et al. revealed that certain service quality dimensions fell short of customers' expectations as their perceived service quality was less than their expectations. The result of Awoke demonstrated that mean score in tangibility and assurance dimensions perceived service quality of the bank were higher than expectations, On the other hand, in some attributes of reliability, responsiveness and empathy service quality dimensions the average mean scores were lower revealing that customers were dissatisfied on these areas.

4.4.2   Results of Objective Two

To compare the level of customer expectation and actual perception of service quality delivered in the banking.

The results in Table 4.5 show a gap between Perception and Expectations that were both measured using variable means derived from the 5-point likert scale, whereby the larger gap scored indicate low level of satisfaction and vice versa. Twenty five items were used to measure five service quality dimensions on expected service and perceived service. Tangibility on perceived service had a positive mean score gap which was above expectations. The other four dimensions on perceived service have negative means score gaps that were below expectations. The largest gaps mean scores were, reliability (-0.92) and empathy (-0.17). The result also showed that the average score of total expectations were 4.02 and the overall perception score was 3.67. The score showed a negative difference of -0.35. That means that the expectations were higher than the perceived service quality. In general, consumer expectation exceeded the perceived level of service shown by the perception scores and hence low customer satisfaction. This resulted in a negative gap score (Perception – Expectation). According to Parasuraman *et al.,* (1988) it was however common for consumer's expectation to exceed the actual service perceived and this signifies that there was always a need for improvement.

Table 4.5: Perception-Expectation Gap

Descriptive Statistics				
	N	Perception Mean	Expectation Mean	Perception – Expectation Gap
TANGIBILITY	157	4.2140	4.0573	0.1567
RELIABILITY	157	3.3325	4.2548	-0.9223
RESPONSIVENESS	157	3.4573	3.9414	-0.4841
ASSURANCE	157	3.7299	4.0828	-0.3529
EMPATHY	157	3.6344	3.8051	-0.1707
AVERAGE SQ SCORE		3.6736	4.0282	-0.3546

Source: Primary Data, 2018

These findings are almost similar to studies carried out by Hong and Marimuthu (2014); Rashed and Tabassum (2014); Awoke (2015). Hong and Marimuthu reported that the expectations were higher than perceptions, that the largest gap was found in reliability dimension and the tangible dimension had the largest influence on customer satisfaction. Rashed and Tabassum (2014) revealed that tangibility was having a high mean score and the bank should concentrate on responsiveness as it had the least mean score. The study also established that the combination of tangibility, reliability, responsiveness, assurance and empathy together have significant effect on customer satisfaction. Therefore, service quality had a positive effect on customer satisfaction. The result of Awoke, demonstrated that in tangibility and assurance dimensions of service quality of the bank, the mean gap scores were positive indicating customers were satisfied on these elements of the bank.

On the other hand, in some attributes of reliability, responsiveness and empathy service quality dimensions of the bank, the average mean gap scores were negative revealing that customers were dissatisfied on these areas. The study confirms the need for the managements of the bank to take into account customer perceptions of service quality and their expectations, and in those areas that have negative mean gap score, it should implement appropriate service quality improvement in order to improve its service delivery.

4.4.3 Results of Objective Three

To determine the relationship between expectation of service and perception of service towards customer satisfaction was the third objective, first a parametric test paired samples t test was done to get an overall picture of the significant relationship

between Expectations and Perception, the researcher combined all the service quality dimensions mean perceptions and expectations computed in Tables 4.5, and two mean indices were computed and generated (perception and expectation) as shown on Table 4.6. The purpose of the test was to determine whether there was statistical evidence that the mean difference between paired observations on a particular outcome was significantly different from zero. After which the two indices were correlated using the Pearson's linear correlation coefficient (r). Results of this test were summarized in Table 4.9.

Table 4.6 shows two mean indices that were computed and generated perception (3.6736) and expectation (4.0283).

Table 4.6: The Summary of Paired Samples Statistics

Paired Samples Statistics					
		Mean	**N**	**Std. Deviation**	**Std. Error Mean**
Pair 1	EXPECTATION	4.0283	157	.52030	.04152
	PERCEPTION	3.6736	157	.65165	.05201

Source: Primary Data, 2018

Table 4.7 Paired Samples Correlations shows the pre-test of how strongly the two variables were associated with one another, that Expectations and Perceptions means were significantly positively correlated ($r = .487$).

Table 4.7: The Pre-test Paired Samples Correlations

Paired Samples Correlations				
		N	**Correlation**	**Sig.**
Pair 1	EXPECTATION & PERCEPTION	157	.487	.000

Source: Primary Data, 2018

Table 4.8: Shows the Paired Samples Tests, where **t:** The paired T test statistic (denoted t), df: The degrees of freedom for this test, Sig. (2-tailed): The p-value corresponding to the given test statistic t. From the results, we can say that: Expectations and Perceptions were moderate and positively correlated ($r = 0.487, p < 0.001$), there was a positive and significant relationship between Expectations and Perception ($t_{156} = 7.357, p < 0.001$), on average, Expectation was .354 points higher than Perception (95% CI [.259, .449]).

Table 4.8: Paired Samples Tests

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	EXPECTATION – PERCEPTION	.35465	.60406	.04821	.25942	.44988	7.357	156	.000

Source: Primary Data, 2018

Table 4.9 presents a correlation matrix for all variables. The findings revealed that Expectation and Perception were significantly related towards Customer satisfaction. Based on the analysis correlation between customer expectation and perception, indicates that there was a positive significant correlation between two variables with coefficient correlation r = .487 at p<0.01 level and the magnitude of association was moderate. In addition, there was a positive significant relationship between customer satisfaction and customer expectation, r = .336 at p<0.01 level, the magnitude of association was moderate. The research result presents that there was a negative significant correlation between customer satisfaction and perceived service, r = - .659

at p<0.01 level, the magnitude of association was strong. These results confirmed a relationship between service quality dimensions and customer satisfaction in banking industry.

Correlation can take on any value in the range [-1, 1]. The sign of the correlation coefficient indicates the direction of the relationship, while the magnitude of the correlation (how close it is to -1 or +1) indicates the strength of the relationship between two variable (Cohen, 2008). The literature further explained that correlation of -1 indicates perfectly negative linear relationship, 0 indicates no relationship and value of +1 indicates perfectly positive linear relationship.

In addition, the literature suggest that strength of correlation ranging between $.1 < |r| < .3$ is categorized as weak correlation, $.3 < |r| < .5$ is categorized as moderate correlation and $.5 < |r| < 1$ is categorized as strong correlation.

Table 4.9: Pearson's Linear Correlations Coefficient
Correlations

		Expectation	Perception	Satisfaction
Expectation	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	157		
Perception	Pearson Correlation	.487**	1	
	Sig. (2-tailed)	.000		
	N	157	157	
Satisfaction	Pearson Correlation	.336**	-.659**	1
	Sig. (2-tailed)	.000	.000	
	N	157	157	157

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary data, 2018

These findings are almost similar to studies carried out by Mukhtar et al., (2014) who found that service quality was positively correlated with customers' satisfaction. The most important variable that affects customer satisfaction was tangibility, followed by assurance, reliability, empathy and responsiveness. Management must decide which of the service element might be tailored to meet local need and expectations (Lovelock and Wright 2002).

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1   Chapter Overview

This chapter provides the conclusion and recommendations with respect to the findings, limitations of the study and suggestion for future studies.

5.2   Conclusion

5.2.1   Conclusion on Objective One

From the findings, the research objectives were achieved by identifying the determinants of service quality at I & M bank. Based on the statistical analysis, it was found that customer expectation exceed their perception, evidenced by the customers low perception scores in four dimensions of service quality (reliability, responsiveness, assurance and empathy) except for tangibility which the score was higher than expectation.

5.2.2   Conclusion on Objective Two

The objective two of this study was to compare the level of customer expectation and actual perception of service quality. The result of this study demonstrated that in tangibility dimension of service quality of the bank, the mean gap score was positive indicating customers were satisfied on that element of the bank. On the other hand, in some attributes of reliability, responsiveness assurance and empathy service quality dimensions of the bank, the average mean gap scores were negative revealing that customers were dissatisfied on these areas.

5.2.3   Conclusion on Objective Three

The objective three of this study was to determine the relationship between expectation of service and perceived service quality towards customer satisfaction in banking industry. Also this result confirmed the existence of a relationship between expectation of service and actual perception towards customer satisfaction in banking industry. In general, service quality dimensions do influence customer satisfaction in I&M Bank (T) Limited

5.3   Recommendation

The study identified various issues, which affect satisfaction on banking industry in Tanzania, as ranked by respondents in the questionnaire. The study therefore makes recommendations to address on various banking industry issues leadings towards customer satisfaction as follows.

5.3.1   Recommendation on Objective One

According to the study findings, the researcher recommended allocation of more resources on variables related to reliability, assurance and tangibility since both have the highest customer expectations. Responsiveness and empathy should be given a relatively lower resources as compared to reliability and assurance due to the fact that they have lower mean average customer expectations.

On actual perceived service responsiveness, reliability, assurance and empathy should be given highest priority and resources as compared to tangibility due to the fact that they have lower mean average customer perception and will need much attention.

5.3.2   Recommendation on Objective Two

Basing on the study findings, the researcher recommended an improvement in the quality of service at the bank in order to reduce the perception – expectation gap and increase the level of customer satisfaction. There is the need for the managements of the bank to take into account customer perceptions of service quality and their expectations, and in those areas that have negative mean gap score, it should implement appropriate service quality improvement in order to improve its service delivery.

5.3.3   Recommendation on Objective Three

Due to the moderate and significant effect that is reflected between expectation of service and perceived service towards customer satisfaction, more should be done on service quality in order to reap maximum benefit for the long term achievement of customer satisfaction. Also as it's not always easy to bring satisfaction where it has failed before as it's a matter of feelings, regular communication between management, staff and customers should be kept in place in order for each part to understand their needs, serve and hence to know the areas of improvement so that the perceived service can always be in line with customer expectations.

5.4   Limitations

The first limitation is based on quantitative research approach that it is normally using probabilistic sampling techniques but because of environmental limitation the researcher decided to use non probabilistic sampling technique because of its convenience. The main research questions in this study were limited to the SERVQUAL dimensions which include tangibles, assurance, responsiveness,

empathy and reliability. Other variables may influence customer decision making process in the banking industry, such as price, convenience, interest rates and the like. The sample size of this study was 157. This sample size was small to be competently representative of all bank customers' behaviours in Tanzania. Another researcher may use a bigger sample size to find out more about service quality and customer satisfaction in the banking settings in Tanzania. This study covers the customers of I&M Bank in some selected branches in Tanzania. The other public and foreign banks that have a role in the banking industry in Tanzania were excluded from this study.

The drawbacks mentioned are less significant compared to the necessity of conducting this kind of study. Such a study should be conducted more frequently in order to assess service quality and find out satisfaction levels of customers in order for service provider to improve the quality of their services.

5.5   Areas of Further Study

Basing on the fact that this study was conducted or focused only on I&M Bank (T) Limited that have very few branch networks in Tanzania, the same study should be done in other banks/financial institutions with larger networks and or include larger sample. Also a different methodology like factor analysis can be used. This study also limited itself to the SERVQUAL service dimensions, further research can be done using other variables which are of great importance to the banking industry. This will help identify gaps in a more specific way.

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APPENDICES

Appendix I: Research Questionnaire in English

Questionnaire for Customers

Dear respondent, the aim of this questionnaire is to seek views about the quality of services received from the bank. Please feel free to fill this brief questionnaire which is mainly intended for improving the quality of services offered. The information collected will be treated confidentially. Please show the extent to which you agree/disagree with the statement given – all we are interested in is a number that truly reflects your feelings, regarding the services you got from the bank.

SECTION A: BASIC PROFILE OF RESPONDENT

Date of Interview:…………………………………….

1. Branch Location: Please tick (ν) Maktaba ☐ Arusha ☐

    Moshi ☐

2. Sex: i. Male ☐   ii. Female ☐

3. Age: Below 30 years ☐   30 – 45 years ☐   Above 45 Years   ☐

4. Level of education: A 'level & below ☐   Certificate   ☐   Diploma ☐

    Undergraduate ☐   Postgraduate   ☐   Professional qualification ☐

5. Type of account you have with the bank

    Current account ☐   Personal/Savings account ☐ NGO Account ☐

Children account ☐   Recurring account   ☐ Fixed deposit account   ☐

SECTION B

How would you rate your Agreement/Disagreement with the following statements which are addressing matters related to service quality that you expect to be provided by I&M Bank Ltd (EXPECTATIONS) in relation to the actual service provided (PERCEPTIONS)? Please put a tick on the appropriate cell "Strongly Disagree" (SD = 1) Disagree (D = 2), Neutral (N = 3), Agree (A = 4) and Strongly Agree (SA = 5)

	SERVICE QUALITY DIMENSIONS	EXPECTATIONS						PERCEPTIONS				
	TANGIBILITY	SD	D	N	A	SA		SD	D	N	A	SA
1	I&M Bank has modern-looking equipments such as computers, fast ICT facilities, etc.	1	2	3	4	5		1	2	3	4	5
2	The interior and exterior of I&M Bank is visually appealing and spacious (comfortabilty conditions, waiting queue chairs, audio-visual screen, public notice board etc.)	1	2	3	4	5		1	2	3	4	5
3	Employees who have a neat, professional appearance	1	2	3	4	5		1	2	3	4	5
4	Material and equipments associated with service (computers, ATM Machine, Teller station, Bank statements, pamphlets, etc) are visually appealing.	1	2	3	4	5		1	2	3	4	5
5	The Bank has comfortable chairs and tables and the space is adequate	1	2	3	4	5		1	2	3	4	5
	RELIABILITY	SD	D	N	A	SA		SD	D	N	A	SA
6	Whenever I request for banking service I&M Bank provide it at the promised time.	1	2	3	4	5		1	2	3	4	5
7	Whenever I experience problem, I&M Bank staff handle it in constant manner	1	2	3	4	5		1	2	3	4	5

8	Whenever I request for banking service I&M Bank staff performs it right first time	1	2	3	4	5		1	2	3	4	5
9	Whenever I request for service (cash deposit, cash withdrawal, bank statement, etc) I&M Bank staff provide it as promised	1	2	3	4	5		1	2	3	4	5
10	Always I&M Bank maintains an error-free records service	1	2	3	4	5		1	2	3	4	5
	RESPONSIVENESS	SD	D	N	A	SA		SD	D	N	A	SA
11	Whenever I need service I&M Bank staffs give me prompt service	1	2	3	4	5		1	2	3	4	5
12	Whenever I ask for service I&M Bank staffs serve me readily in a good manner	1	2	3	4	5		1	2	3	4	5
13	Always I&M Bank staff are willing to solve customer problems	1	2	3	4	5		1	2	3	4	5
14	Always I&M Bank keeps me informed as to when service will be performed	1	2	3	4	5		1	2	3	4	5
15	The bank has an efficient system to deal with customers' complaints about inadequacy of services.	1	2	3	4	5		1	2	3	4	5
	ASSURANCE	SD	D	N	A	SA		SD	D	N	A	SA
16	I always feel safe, secure and comfortable in my transactions with I&M Bank (account maintenance, cash transfer, cash withdrawal and deposit, ATM PIN code, etc)	1	2	3	4	5		1	2	3	4	5
17	Members of staff are always friendly and polite to customers.	1	2	3	4	5		1	2	3	4	5
18	The behavior of all employees in I&M Bank instills confidence in me when handling my accounts	1	2	3	4	5		1	2	3	4	5
19	Every time employees in I&M Bank are consistently courteous with me	1	2	3	4	5		1	2	3	4	5

20	Bank staffs have the knowledge to answer customers' questions on bank products and services (such as bank accounts, deposits, transfers, statements, online services, prepaid cards, loans, Letter of credit, Bills etc.).	1	2	3	4	5		1	2	3	4	5
	EMPATHY	**SD**	**D**	**N**	**A**	**SA**		**SD**	**D**	**N**	**A**	**SA**
21	All employees in I&M Bank pass transaction in a caring manner	1	2	3	4	5		1	2	3	4	5
22	Always I&M Bank staffs have my best interest at heart when I'm asking for service	1	2	3	4	5		1	2	3	4	5
23	I&M Bank has a convenient branches (sub branches/outlets) and operates in extended hours to all its customers without spending much time on long queues	1	2	3	4	5		1	2	3	4	5
24	Facilities such as ATM, I&M Mobile, Infomail and offices for support services have operating hours convenient to all customers.	1	2	3	4	5		1	2	3	4	5
25	Whenever I request for service, I&M Bank staff gives me individual attention	1	2	3	4	5		1	2	3	4	5

Appendix II: Research Clearance Letter

THE OPEN UNIVERSITY OF TANZANIA

DIRECTORATE OF, POSTGRADUATE STUDIES

Kawawa Road, KinondoniMunicipality,
P.O. Box 23409
Dar es Salaam, Tanzania
http://www.out.ac.tz

Tel: 255-22-2666752/2668445
Ext.2101
Fax: 255-22-2668759,
E-mail: drps@out.ac.tz

Date:23th November 2017.

Our Ref: PG201610619

Head of Business,
I&M Bank Ltd,
Corporate Office,
P o Box 1509,
Dar es salaam.
RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No. 55 in the official Gazette. The act was however replaced by the Open University of Tanzania charter of 2005, which became operational on 1st January 2007. In line with the later, the Open University mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance,on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology,to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr Gideon Mbeta Rwegerera Reg No PG201610619** pursuing Masters of **Business Adiministration(MBA)** .We here by grant this clearance to conduct a research titled *"The effects of service quality Delivery on Customer Satisfaction in the Banking Industry in Tanzania:A case study of some selected Branches of I&M Bank Tanzania Ltd."*.He will collect his data at Ilala District in Dar es salaam Region From 27th November to1 8th December 2017.

Incase you need any further information, kindly do not hesitate to contactthe Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O. Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

Prof HosseaRwegoshora
For: VICE CHANCELLOR
THE OPEN UNIVERSITY OF TANZANIA