An investigation of customers' perception and expectation of quality service: The case of selected banks in Kenya

By

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other University.

Signed: .... Date: ...2-7-03...............

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This Management Research Project has been submitted for examination under my approval as University Supervisor

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DEDICATION

I dedicate this project to my beloved wife Loice and my children Amdany, Renos and Diana, for their encouragement and patience for not having quality time with them during the entire course. To my parents Peter and Elizabeth specifically my mother who spent time to pray for me. Also to my uncle mzee Joel and my father in-law who gave me moral support and last but not least to my brother Paul who inspired me to do MBA.

May the almighty God bless you all.

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I would like to extend my sincere gratitude to my supervisor J.K Kipng'etich for his guidance and support accorded me throughout the research.

I would also like to appreciate the support of my colleagues in the MBA class, lecturers and technical staff of the Department of Management Science, University of Nairobi for giving me total support during the entire course. I would also like to thank my colleagues at work to whom I delegated my duties while I was away.

Thank you all.

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ABSTRACT

The primary objective of this study was to investigate customers' perception and expectation of service quality in the banking sector. The specific objectives included an identification of the critical factors of service quality from the customers perspective in addition to measuring customer perception based on the identified factors. The study also carried out a "gap" analysis using SERVQUAL procedures of customers' perceptions and expectations (P-E) of quality in banking.

To facilitate this study, a survey was carried out across five top bank customers in Kenya. The size of the banks was based on a classification in the *Economic Review 2000 by the* central Bank of Kenya. The response gave information aimed at evaluating quality service based on a twenty two-item instrument developed by Parasuraman et al.

The results showed that:
1. Customers' expectations of service quality were very different from their perceptions.
2. There are certain critical factors that banks should focus on in order to provide quality services.
3. The factor analysis results confirmed that the SERVQUAL items are important in definition of bank service quality.

These results should however be interpreted in consideration of the limitations of the study, specifically with regard to the number of customers being small, the researcher managed 56% response rate as opposed to the 100% expectations.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

Of late, service quality has been receiving much prominence because of its obvious
relationship to costs (Kellogg *et al.*, 1997), financial performance (Nelson *et al.*, 1992),
customer satisfaction (Bolton and Drew, 1991) and customer retention (Keaveny, 1995).
Numerous organizations including banks have started focussing on ascertaining the customer
perceptions of service quality and subsequently devising strategies to deliver quality to the
customer(Cronin and Taylor, 1992, 1994; Teas, 1993a, 1994; Zeithaml *et al.*, 1996).

A lot of headway has been made on the research front in the last two decades. Rust and Oliver
(1994) argued that researchers have made huge inroads on unravelling the concepts of service
quality, customer satisfaction, and to a lesser extent, customer value. The authors concluded
that it was indeed fascinating to note that the modern business people around the globe have
started observing keenly what is transpiring on the boundaries of service quality research, the
outcomes of which would help them to survive and excel in the global marketplace. Cronin
and Taylor (1992), therefore, postulated that curiosity in the appraisal of service quality was
discernibly high and the delivery of higher levels of service quality was the tactic that was
predominantly employed by service providers effectively to curve a niche for themselves in
the global market. It was also observed that the obstacles in the path of implementing such a
strategy had been dealt with in detail by various researchers and that service quality is an
abstruse and abstract construct that is arduous to define and measure.

Service firms such as banks find it difficult to envision and understand what aspects connote
high quality to consumers, and the levels of those aspects that are required to deliver high
quality service. Only when a service provider has a fairly definite knowledge on how the
service would be perceived by the customer, would he/she be able to direct these assessments
in the preferred direction. Many firms have acknowledged the significance of developing
worthy associations with customers. But what the firms lack is the competence to create and
sustain such good relationships. Service quality is, by character, an abstruse concept, which
means that ably managing service quality obligates a lucid discernment of what precisely

service quality alludes to customers (Rust and Oliver, 1994). Rationally managing a service interaction also calls for comprehending the much-complicated behaviours of employees that will have a telling effect on the customer perceptions of service quality. Such behaviours help the consumers to differentiate a gratifying service encounter from a dissatisfactory one. Firms need to train, motivate, and reward employees for demonstrating the desirable behaviours in service encounters (Bitner *et al.*, 1990).

In an era of intense competitive pressures, service organizations ranging from hospitals, financial institutions, to restaurants face considerable pressures and challenges not only to meet, but also to exceed customer expectations. Today's sophisticated and discerning customers demand the highest levels of service efficiency, quality, flexibility and dependability. Many service organizations recognize that attaining customer satisfaction through delivery of quality service is key to their survival and they are well aware that having a loyal base of satisfied customers increases sales, reduces costs, improves bottom lines and builds market shares. Yet, while manufacturing organizations have long been willing to develop the philosophies, techniques, and concepts needed to enhance the effectiveness of their systems, most service organizations have lagged behind.

To remain competitive, banking service providers are increasingly focusing on service quality. These banking service providers are using information technology to reduce costs and create value-added services for their customers. Some examples of IT-based service enhancements include Web-based banking systems provided by banks and automatic ticketing machines by airlines. These service systems are expected to help service providers improve service quality, financial performance, customer satisfaction, and productivity.

Development of methods of measurement of quality in service delivery has included considerable examination of the relationship of customer expectations and customer satisfaction. Where services are delivered for profit, there is a clear relationship between the service purchaser and the service provider and decisions on service purchase or delivery will be based on commercial decisions not dissimilar to those of product-based transactions.

Despite the absence of a tangible product, the banking service provider must make commercial decisions in regard to profit margins, targeted market segments, market share, the volume of service delivered and the quality of the service to be provided. The existence of

competition generates choice for the customer and potentially alters the quality of service delivery through market pressures.

The service purchaser will make purchasing decisions based on considerations such as price and quality, and these factors will affect the market share obtained by a service provider. While price is easily measured, the measurement of quality is necessarily more complex because of the nature of perception, expectation and experience.

The developers of the SERVQUAL(Service Quality) instrument for measurement of quality made claims that customer expectations of quality in service delivery can be divided into five dimensions that can be consistently applied across companies and industries. Identifying these areas as tangibles, reliability, responsiveness, assurance and empathy, it is argued that these dimensions provide a basic framework that underlies service quality. It is suggested that results from application of the SERVQUAL instrument provides information for accurate and targeted decision making on ways management can improve service quality, ensuring that it is accurately aligned with the wishes of the customer.

1.2 Statement of the Problem

This research project has undertaken to investigate if there is a gap between the current management view on service quality in bank services and what customers identify as quality in service provision. It has considered the need for a system of quality measurement that is meaningful to services and customers to facilitate further development of customer satisfaction and associated service quality. It is expected that there will be conclusions with some recommendations of what changes could be made to the existing system of quality measurement for such services, to align it more with the competitive market environment being introduced to service delivery, and principles of management that can facilitate development of quality within services.

The focus of the present study is to investigate the perceptions and expectations of customers on the overall service quality, rather than on individual dimensions of service quality. Thus, SERVQUAL was felt to be a desirable global service quality measure for this study. The

construct representing perceived quality of services is used to address the question of how customers evaluate the service quality.

We therefore need to understand better how service customers evaluate banking services and how their evaluations affect their perceptions of the overall service quality of the service provider and of their own satisfaction.

The primary purpose of this study, therefore, is to investigate the gap between customers' perceptions and expectations of service quality.

The central research questions include:

. What are the critical attributes that customers expect when using banking services?

. What are the key variables that affect customers' evaluations of banking services?

. How will customers' evaluations of services affect their perceptions of overall service quality?

1.3 Objectives Of The Study

Therefore, the objectives of this paper are threefold:

(1)   To identify the critical factors of service quality from the customers' perspective;

(2)   To measure customer-perceived service quality based on the identified factors with a specific focus on the banking sector; and

(3)   To carry out a gap analysis of customer perceptions and expectations of quality in banking.

1.4 Importance Of The Study

The findings of this study are expected to provide bank managers, academics and other decision makers with insight into the perceptions and expectations of customers on overall service quality. The priorities in which service objectives are emphasized by customers shall help other practitioners in redesigning their own service systems. We hope to have enriched the literature and instruction on service delivery in Kenya. The study shall further focus the need for in depth case studies of individual banking institutions to better understand service delivery in individual firms. As pointed out in other studies the available literature is replete with case studies from the West, which as pointed out, by Aosa (1992) cannot be imported

wholesale in the African context. We have our own peculiar characteristics. The findings may also attract other researchers to delve into areas such as the Strategic impact of IT-Based services in banking institutions. Therefore:

- A thorough understanding of these issues would be of substantial benefit to managers and academics alike.
- The study will provide pointers to the strategic implications of customers perceptions and expectations of quality to the financial service providers

1.5 Justification for This Study

The focus of this study on the financial services industry is motivated by three factors:
- The sheer size of the financial service industry relative to other service sectors
- The potential for quality, as one of the operations strategies, to positively impact firm performance through channel expansion, cost reduction and service level enhancement.

More research has been done in other countries especially in the west regarding the above issues, yet we cannot import wholesome the results of these studies. There is therefore need for local studies.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definitions of Quality in Industry

In developing a measurement of quality, quality award systems internationally have developed their own definitions. The Japanese "Deming Award" emphasises customer satisfaction throughout its guidelines.(Anderson et al, 1994. Reeves and Bednar(1994) in tracing the evolution of quality definition concluded that different definitions of quality are appropriate under different circumstances. Their search for a global definition for the construct of quality found that each definition had strengths and weaknesses in relation to measurement and accuracy in generalisation, managerial usefulness, and customer relevance.

In search of a workable definition for quality, Smith and Whitehall (1997) cite Armand Feigenbaum (1983) who developed the following definition.
"Quality is a customer determination. It is not a marketing determination or a general management determination. It is based upon a customer's actual experience with the product or service, measured against his or her requirements - stated or unstated, conscious or merely sensed, technically operational or entirely subjective and always representing a moving target in a competitive marketplace."
The American Society for Quality Control (ASQC) adopted Feigenbaum's interpretation as its official definition of quality, summarised as "Quality is what the customer says it is".

Seawright and Young(1996), identified the difficulty in defining quality due to its multidimensional structure, including the difference of definition that may exist between the manager and the customer. To bring some order to the varied definitions available, they grouped definitions into objective and subjective categories. According to them manufacturing-based quality, represented by internally based product measurement in relation to conformity to specifications, and external product-based quality was defined as objective. Aspects of product or service experienced by the customer, which was similarly defined as objective in quality measurement, included reliability, serviceability, performance and features.
Smith and Whitehall (1997) identified customers as making purchases for five reasons;

- Features

- Dependability
- Performance
- Value
- Affordability

Robinson and Pidd(1998) stated that "quality is not static, but a dynamic concept, changing from customer to customer, product to product over time"(pp.200-209) They consider the inadequacies of objective measures such as "conformance to specifications" and "zero defects", outlining the fact that a system based on such goals sees visible losses not invisible ones. The fact that zero defects do not result in zero customer complaints is cited. They redefine quality as "meeting customer expectations at a price they can afford and ensuring that they get it when they need it", bringing together both objective and subjective concepts for measurement.

It appears from the literature that the service industry is more accepting of subjective quality definitions and measurement, as defined by Seawright and Young(1996).
Subjective quality definitions accommodated those that were linked to customer perceptions and therefore were likely to be different between customers. Included in these were user-based quality, which considered the "fulfilment of user needs", value based quality which considers customer satisfaction concurrently with price, and multidimensional quality as defined by Garvin(1984).

Cited by Seawright and Young(1996), Garvin's concept of multidimensional quality, combined numerous aspects of quality into eight general dimensions: performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality. This concept is further developed specifically for services in the work of Parasuraman, Berry, and Zeitham(1988 onwards) in their development of the five dimensions of service quality: tangibles, reliability, responsiveness, assurance and empathy.

2.2 Measurement of service quality

Research in defining and measuring service quality has been greatly influenced by the works of Parasuraman *et al*. (1985, 1988, 1991). They conceptualize service quality as the relative perceptual distance between customers' expectations and evaluations of service experiences (Parasuraman *et al*., 1985) and operationalize service quality using a multi-item scale called

SERVQUAL (Parasuraman *et al.*, 1988, 1991). SERVQUAL is a 22-item instrument that services includes the five service dimensions of tangibles, reliability, responsiveness, assurance, and empathy. SERVQUAL was developed based on data from five service industries including appliance repair and maintenance, retail banking, long-distance telephone service, securities brokerages, and credit card companies. It has been tested and used to measure service quality in various contexts such as banking (Avkiran, 1994), public services (Carman, 1990; Orwig *et al.*, 1997), professional services (Bojanic, 1991), hospitals (Babakus and Mangold, 1992; Reidenbach and Sandifer Smallwood, 1990), hospitality (Barsky, 1992; Oberoi and Hales, 1990; Saleh and Ryan, 1991), retailing (Finn and Lamb, 1991), auto repair (Bouman and Van der Wiele, 1992), and catering (Johns and Tyas, 1996). SERVQUAL has been used extensively. Some researchers have questioned its dimensionality (Bouman and Van der Wiele, 1992; Carman, 1990; Cronin and Taylor, 1992, 1994; Mels *et al.*, 1997), and others have argued about its measurement of perceptions and expectations (Babakus and Boller, 1992; Brown *et al.*, 1993; Carman, 1990; Cronin and Taylor, 1992).

2.3 Measurement of Quality and the Relevance of the Customer

The ISO 9000 series provided a standardised framework around which industry could build its measurement and improvement of quality. Individual companies are able to define their policy on quality and then systematically translate this into documented procedure and practicle. It is a system that focuses on uniform practice across the organisation and verification of that practice by an external auditor. It has value to quality measurement for both product and service industries, and should be strongly reflected in practice at an organisational level.

Velury(1996) notes that while intended to produce a dynamic process within industry, focused on continuous improvement, ISO9000 has been commonly used by companies as a marketing instrument. The compliance for auditing purposes is in danger of dominating the process and sight may be lost on the purpose for which the system was intended. In building paperwork to demonstrate compliance to the auditor, there has been the development of a belief that ISO9000 is nothing more than writing procedures. The value of documentation is noted as a means to represent ideas, identification of training needs, to allow a baseline for growth and to facilitate common understanding, planning and consistency. He concludes "that the focus of organisations that implement the standard should be to build a quality system that

understands the needs of the customer, and systematically transforms them into manageable procedures and specifications and then produces a product that meets customer needs".

Focused on the manufacturing industries, Deming, (1986) developed a summary of what behavioural management systems were required to achieve quality in his "fourteen point management method". This was about achieving quality through reduction of variability. Further examination of Deming's management method with regard to its theoretical origins, was undertaken by Anderson, Rungtusanatham and Schroeder(1994) who condensed the fourteen points on management of quality into seven concepts:

- Visionary leadership
- Internal and External co-operation
- Learning
- Process Management
- Continuous Improvement
- Employee fulfilment
- Customer Satisfaction

Additionally it considers the interaction between the seven concepts. Continuous improvement is seen as defining the purpose of the Deming management method. However, it returns to focus on the importance of customer satisfaction.

"The relevance of customer satisfaction and any theory of quality management is apparent because the very definition and consequently the measurement of customer satisfaction often has been based on a customer's perception of the quality of products and services" "... that the customer is the most important part of the production line".
Measurement at an organisational level becomes central to this system. Anderson et al(1994) emphasise the importance of customer satisfaction in its relationship with other concepts of quality ie. employee fulfilment, continuous improvement, and management directions. The extent of the role of management in developing the required levels of quality is seen clearly in this distillation of Deming's ideas and the validation of their theoretical base.

The concept of Total Quality Management (TQM) that emerged from the work of Deming identifies strongly the need for a customer -directed definition of quality, supported by a core management philosophy.(Oliver and Lane, 1996). It provides an instrument by which all critical processes in product or services can be compared with the work of others, called

benchmarking. The impact of benchmarking is at an organisational level, via the creation of a learning environment.

Peters (1994) identified benchmarking as one of the quickest and most reliable ways for an organisation to improve quality to that equivalent with "the brightest and best in a sector." The benefits of benchmarking are identified as including:

- Customer requirements can be more readily met
- Best practice will be brought into awareness and actively examined
- Goals will be established with an external perspective
- True measures of productivity and customer satisfaction can be established.

Benchmarking presents a measure that is equally useful to product and services. However, benchmarking is easier to establish within manufacturing industries, due to the quantity of objective measures available. Considerably more effort is required in the definition of culture, people and skills employed by services in the achievement of their mission. Services are more likely to focus on consistency of performance than process, and performance measures are well founded in customer perspectives, and therefore clearly subjective.

Peters(1994) cites the Price Waterhouse five process model of benchmarking customer service which has been based on the European Foundation of Quality Management used with the Baldridge awards as follows:

- The process of understanding customers
- The process of managing dissatisfaction
- The process of measuring satisfaction
- The process of empowering people who serve customers
- The process of managing customer relationships

Measurement of quality in service delivery has included considerable examination of the relationship of customer expectations and customer satisfaction. A marketing study by Anderson(1973) further developed by Oliver(1980) and cited in Ross, Frommelt, Hazelwood and Chang(1987), utilised psychological theories to explain the internalised processes occurring, of which the end result is customer satisfaction or otherwise. These theories demonstrated why there is more to customer satisfaction than the actual quality of the product or service, and introduced the link with customer expectations.

In pure service industry where no tangible product exists, this makes assumptions about customer satisfaction that may show no bearing on the experience of the customer.

The introduction of the SERVQUAL measurement of quality instrument (Parasuraman et al 1988) made claims for identifying the five areas of evaluation of service quality that could be consistently applied across companies and industries. Identifying these areas as tangibles, reliability, responsiveness, assurance and empathy, it provides a basic framework that underlies service quality. Utilising a structured questionnaire approach, data is analysed in a particular way that allows a quantitative measurement of the gap between customer expectation of service delivery and actual service delivery received and the relationship with management perspectives of service quality. The implication is that accurate judgements can then be made on approaches to improving service quality.

SERVQUAL, since its development, has been fairly extensively tested across different sectors. For example Saleh and Ryan applied the SERVQUAL model to the hospitality industry. The analysis identified the existence of gaps between client and management perceptions of attributes of the hotel and between client expectation and perception of the services offered.

Bojonic(1991) used the steps in the more sophisticated methodology than is SERVQUAL but with an approach that required only a spreadsheet package and a cursory knowledge of statistics, as applied to small professional service firms to assess customer perceptions of quality. It was reported that the results were easy to interpret, and the importance of each attribute in the evaluation of quality is considered.

Kierl and Mitchell (1990) used the SERVQUAL measurement system for customer service quality perceptions as applied to a sample of major UK chemical suppliers. An attempt was made to measure the perceptions of customers as to the current level of service provided and the extent to which future potential existed for service improvement. An equation of the gap between ideal and perceived scores was used to assess the degree of customer satisfaction with quality of service.

The service quality dimensions in SERVQUAL were originally developed based on traditional service delivery channels. Today, the greatly increased use of IT by financial service providers has, in many ways, changed the nature of service delivery. Thus, it may be appropriate to include the attributes associated with IT-based service delivery systems as part

of service quality measurement. For example, bank customers can now conduct almost all of their banking business over the telephone except when depositing/withdrawing cash or cheques (Cline, 1997). These innovative, value-added, and convenient services provided by IT-based service systems are not likely to be measured adequately by SERVQUAL as it is currently constructed. A means to evaluate the impact of IT-based service systems on service quality is needed.

2.4 Hypothesized model

Though there are some questions in the literature about the dimensionality and measurement of SERVQUAL, it was used as the measurement of service quality in this study for several reasons. First, SERVQUAL is well documented in many studies, its strengths and weaknesses have been extensively discussed, and it has been used to assess the quality of numerous service industries. Second, prior research has shown that even when SERVQUAL scores are checked by dimensions, a strong and steady link holds.

To address these questions, a service construct is proposed and linked to service quality as measured by SERVQUAL (Parasuraman *et al.*, 1988, 1991). Several key variables affecting customers' views of IT-based services are identified based on the literature and incorporated into the model. The hypothesized model is then tested based on data collected from a sample of bank customers and using a structural equation modeling (SEM) approach.

Service Quality (SERVQUAL) Model

Quality Dimension	Samples of questions to ask
Tangibles: Appearance of physical facilities, equipment, personnel, printed and visual materials	Are facilities attractive? Are staff dressed appropriately? Are written materials easy to understand? Does technology look modern?
Reliability: Ability to perform promised service dependably and accurately	If a response is promised in a certain time, does it happen? Are exact specifications of client followed? Are statements or reports free of error? Is service performed right the first time? Is level of service same at all times of day and for all members of staff?
Responsiveness: Willingness to help customers to provide prompt service	When there is a problem, does organization respond to it quickly? Are staff willing to answer client questions? Are specific times for service accomplishments given to client? Are public situations treated with care and seriousness?
Competence: Possession of required skill and knowledge to perform service	Can staff provide service without fumbling around? Are materials provided appropriate and up to date? Can staff use the technology quickly and skillfully? Do staff appear to know what they are doing?
Courtesy: Politeness, respect, consideration and friendliness of contact personnel	Do staff members have a pleasant demeanor? Do staff refrain from acting busy or being rude when clients ask questions? Are those who answer the telephone considerate and polite? Do staff observe consideration of the property and values of clients?
Credibility: Trustworthiness, believability, honesty of the service provider	Does service organization have a good reputation? Do staff members refrain from pressuring the client? Are responses given accurate and consistent with other reliable sources? Does the organization guarantee its services?
Security: Freedom from danger, risk, or doubt	Is it safe to enter the premises and to use the equipment? Are documents and other information provided for the client held securely? Are records of clients safe from unauthorized user? Can client be confident that service provided was done correctly?
Access: Approachability and ease of contact.	How easy is it to talk to knowledgeable staff member when client has a problem? Is it easy to reach the appropriate staff person in person?

	by telephone?
	by email?
	Are service access points conveniently located?
Communication: Listening to customers and acknowledging their comments; Keeping customers informed in a language they can understand.	When client contacts service point, will staff person listen to their problem and demonstrate understanding and concern? Can staff explain clearly the various options available to a particular query? Do staff avoid using technical jargon when speaking with clients? Do staff members call if a scheduled appointment will be missed?
Understanding the Customer: Making the effort to know customers and their needs.	Does someone on staff recognize each regular client and address them by name? Do staff try to determine what client's specific objectives are? Is level of service and cost of service consistent with what client requires and can afford? Are service providers flexible enough to accommodate to client's schedule?

Adapted from SERVQUAL, an instrument for measuring quality service developed by Zeithaml, Parasuraman & Berry and described in their book, *Delivering Quality Service; Balancing Customer Perceptions and Expectations*, Free Press, 1990.

Parasuraman et al (1988) defined the five dimensions on which customers assess service quality in the following way:

- Tangibles Physical facilities, equipment and appearance of personnel
- Reliability Ability to perform the promised service dependably and accurately
- Responsiveness Willingness to help customers and provide prompt service
- Assurance Knowledge and courtesy of employees and their ability to inspire trust and confidence
- Empathy Caring, individualised attention the firm provides its customers

A. Parasuraman, V.A Zeithami and L.L Berry constructed the model describing quality of service. They identified five gaps describing difficulties in delivering high quality services:

- The difference between the perceptions of management and the real customers' needs (gap1)

- The discrepancy between management's perception of customers' expectation and service quality specifications (gap2)
- The discrepancy between service quality specifications and the service delivered to the customer(gap3)
- The discrepancy between the service provided and the quality of service promised in advertisements and other external ways of communication (gap 4)
- The discrepancy between customers' expectations and customers' perceptions (gap 5)

From the customers' point of view, the quality of the service is determined by the size of the fifth gap.

The perceptions-expectations (P-E) gap in service quality is measured across these five dimensions by means of a 22-item questionnaire.

This study uses the SERVQUAL instrument to measure service quality, as discussed in the previous section. Each item in SERVQUAL was measured based on customers' perceptions. Cronin and Taylor (1992) suggested that performance scores alone may be as reliable as those obtained by subtracting expectations from perceptions; that is, the estimation of a firm's perceived performance might already lead a respondent through a mental process of comparing his/her perceptions to his/her expectations. Service performance was measured by two variables of customer satisfaction and overall service quality rating. A single item because of their ready interpretability and clear definition measured both. The Likert five-point scale was used. Each question was scored on a scale from 1 to 5, where a 1 rating indicated strong disagreement and a 5 rating indicated strong agreement.

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Despite the absence of a tangible product, the service provider must make commercial decisions in regard to profit margins, targeted market segments, market share, the volume of service delivered and the quality of the service to be provided. The existence of competition generates choice for the customer and potentially alters the quality of service delivery through market pressures.

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2.5 Banking sector developments

2.5.1 Impact of technology on the banking sector

In the categorisation of services in technology-based service delivery options Dabholkar (1994) suggests there are a number of relevant classifications that will apply to industries employing technology based service delivery. The classification analyses "who" delivers the service. That is, person to person, where the employee uses the technology or consumer to technology, such as the use of an ATM. The next categorisation looks at where the service is delivered. Either on the service firm's sites themselves, at the customer's home or office or at a "neutral" site such as an ATM located at an airport. The final categorisation looks at the contact the customer has with the service operation, either direct or indirect such as in the case of telephone banking.

Dabholkar (1994) claims that when the customer is in direct contact with the technology there is greater control such as with Internet banking. However, if there is an absence of direct contact, such as with telephone banking (since the technology itself is not visible to customers who are able only to press numbers on their telephone keypad) it is assumed that there is less control perceived by the customer during this transaction. Bateson (1984) has conducted a number of studies on the need for consumers to have control during service encounters. When a consumer freely chooses to use technology as a form of service delivery the impact is high in terms of quality attributes. Some of the quality attributes that are highly important to consumers are efficiency and speed (Bateson, 1984). This concept is supported by Weatherall *et al.* (1984), who stated that consumers are thought to have a positive perception of technology based service attributes since they believe technology will deliver a faster and more efficient service than that of the employee. Gummesson (1991) also stresses that reliability and user-friendliness are important attributes in the evaluation of technology-based services.

Dabholkar (1994) stipulates that there should be flexibility in the design of the technology to allow customers to make changes during the transaction and make available a customer service adviser if required, with "minimum waiting". This also raises the design issue of sufficient menu options for ATM/Telephone and Internet bankers. In most cases the transaction occurs in a neutral location and the availability of an employee may not always be feasible since these facilities often operate 24 hours a day, seven days a week.

2.5.2 Banking in Kenya

Since the deregulation of the financial services sector in Kenya, banking has seen a number of significant changes, including the restructuring and redesigning of the service delivery methods offered. The merging of banks in Kenya has created the "Big Five" banks that control over 77% size of the financial services sector. This has led to branch closures and staff cuts as banking executives had to capitalise on the economies of scale, which has resulted in a number of dissatisfied and hostile customers.

The implementation of (for example) technology-based service delivery options has seen the successful introduction and adoption of ATMs and EFTPOS(Electronic funds transfer point of sale systems) outlets implemented throughout Kenya. It is with these issues in mind that this study aims to define the underlying processes that consumers view as important in banking services and to analyse how banking service providers are performing to these factors.

2.5.3 Structure of the Financial System

The financial services industry has been doing business electronically for many years especially in the Western countries. It is however, largely recent in the Kenyan context. However many business-to-customer information transfers continue to use traditional, paper-based formats. This includes such functions as prospectus delivery, statement reporting and transaction confirmations, e.t.c. The reasons for continued adherence traditional, physical, information delivery methods are many. Tradition and the aversion of some consumers to adopt new technology dictate that firms continue to provide paper-based audit trails. Regulatory statutes also demand the use of paper-based reporting for many types of transactions.

At the end of April 2002, the number of banking institutions in Kenya declined to 55 from 60 in April 2001 due to merger, liquidation and voluntary winding up of a few institutions. The banking system, therefore, comprised 46 commercial banks, 3 non-bank financial institutions (NBFIs), 2 mortgage finance companies, 4 building societies and 48 forex bureaus . The increase in the number of forex bureaus from 47 to 48 was due to the re-opening of a forex bureau that was previously closed. In terms of market share, the top eight commercial banks held 69.5% of deposits in the banking institutions.

2.5.4 Asset Composition

Total assets of the banking system stood at 430.6bn at the end of March 2002.Loans and advances accounted for 49% of total assets to stand at Ksh 210.9bn in March 2002. This were marked decreases from the previous year partly arising from the closure of one commercial bank and from reluctance by some banks to extend credit following uncertainties surrounding the Central Bank of Kenya (Amendment) Act, 2000. Banks have continued to invest in government securities and their holdings increased by 21.7% to Ksh 97.0bn in March 2002 from Ksh 79.7bn in March 2001, accounting for 23% and 18% of total assets, respectively. Balances with the Central Bank has increased from Ksh 21.8bn to Ksh 27.3bn and accounted for 6% of total assets from the previous year.

2.5.5 Profitability of the Sector

The unaudited pre-tax profits has decreased this year by 9.8% to Ksh 2,402m during the quarter ending March 2002 from Ksh 2,662m in a similar period in 2001.

The deterioration in performance was mainly attributed to a decline in income that was not matched by a proportionate decline in expenses. While total income declined by Ksh 1,953m from Ksh 16,355m to Ksh 14,402m, expenses declined by Ksh 1,692m from Ksh 13,693m to Ksh 12,001m over the same period.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The study was conducted through a survey of bank customers of five major banks. The survey was of those customers who have used the banking services in the last one-month.

3.2 Population

The population of the study was based on the active retail customers of banks who had used at least once in the month prior to the sampling. The following banks' customers were selected because cased on size as provided by the *Economic Survey (2002)* published by the Central bank of Kenya:

- Barclays
- Kenya Commercial Bank
- Stanchart
- Cooperative Bank
- National Bank

The questionnaire contains five sections including the SERVQUAL instrument items measuring service quality and customer satisfaction, and demographic variables. At the beginning of the questionnaire, a brief description was given, instructing respondents to think of the financial institution they use most often, if they use more than one, when responding to the questionnaire.

3.3 Sampling

The sample for this project consisted of both private customers of either a public or a private bank in the area of Nairobi in Kenya. A convenience sample of 100 respondents was contacted by personal interviews.

3.4 Data collection and analysis

The study shall rely on primary data, which shall be collected by way of a structured questionnaire. Our target respondents are consumer banking service customers because by

and large, the response rate is expected to be high among this category of customers. The sequence of the questions is random in nature to preclude any guessing of the underlying factors being sought.

The questionnaire consisted of five main parts: the first one aimed at building a demographic profile of customers. The second, third, and fourth parts contained statements about quality expectations and perceptions of performance based on SERVQUAL.

For the measurement of both expectations and perceptions the "Likert's summated ratings" method was used and a five-point scale developed (Platon, 1986). In measuring quality expectations, respondents were asked to rate the extent to which they thought that ideal retail banks should offer the feature described. In measuring perceptions of quality received, respondents were asked to state the extent to which their bank performed the feature described.

The fifth part of the questionnaire established if the respondent's bank was in the private or public sector. This question was placed towards the end of the questionnaire so as to minimize influence on the other responses.

Finally, in line with work in similar areas (Rust and Oliver, 1994), the fifth part aimed to explore the quality perceptions of the respondents relating to the services of the banking sector that they were not using ("the grass is greener" syndrome) service quality from clients of the public than the private sector providers.

The developers of the SERVQUAL instrument for measurement of quality made claims that customer expectations of quality in service delivery can be divided into five dimensions that can be consistently applied across companies and industries. Identifying these areas as tangibles, reliability, responsiveness, assurance and empathy, it is argued that these dimensions provide a basic framework that underlies service quality. Utilising a structured questionnaire approach, the SERVQUAL instrument analyses data in a particular way that allows a quantitative measurement of the gap between customer expectation of service delivery and actual service received and its relationship with management perceptions of service quality. It is suggested that results from application of the SERVQUAL instrument then provides information for accurate and targeted decision making on ways management can improve service quality, ensuring that it is accurately aligned with the wishes of the customer.

3.4.2 Data Analysis

The data collected was edited for accuracy, uniformity, consistency, and completeness and arranged to enable coding and tabulation before final analysis [Cooper and Emory, 1998; Nachmias and Nachmias 1999]. There was then coding and cross tabulation the data to enable the responses to be statistically analyzed.

Descriptive statistics was used to analyze data by way of percentages proportions and frequency distributions.

SPSS 9.0 for windows was used to carry out the data manipulation

The 22 items from SERVQUAL were factor analyzed with oblique rotation using the OBLIMIN procedure described in SPSS (SPSS Inc., 1997). The oblique rotation was performed following prior research to allow for intercorrelation among the service dimensions (Parasuraman *et al.*, 1988). The factor analysis will involve deleting items that have low correlation with their own scales, high correlation with other scale(s), or a poor distribution of responses. The final results of the factor analysis including the number of items that make up each scale, factor loadings, and the reliability coefficients, shall be presented in different tables.

The SERVQUAL instrument had been identified within the literature review as being a broad-based instrument of quality evaluation that can be applied across the range of service industries. The research will not seek to test the validity of this claim. Full application of the SERVQUAL instrument, in which a gap analysis is applied to customer expectations and customer perceptions, will not be implemented. However, as an evaluation instrument, it was identified as having been utilised quite widely in differing industries, including hospitality, chemical and professional service industries. It has developed a framework against which customer views on quality can be specifically measured via questioning on the five variables of tangibles, reliability, responsiveness, assurance and empathy.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.1   Survey of Banks investigated

The response rate indicated that from the 100 questionnaires sent out, empirical results were obtained from 56 forms. The response rate translates to 56%, which was considered satisfactory. From table 1, it can be decided that a majority of the responding bank customers more from Barclays (32%), KCB(23%), Standard Chartered (18%) NBK (16%) and Cooperative Bank (11%).

Table 1: Banks Surveyed

BANK	NO. OF FORMS	PERCENTAGE
Standard Chartered	10	18%
Barclays	18	32%
KCB	13	23%
NBK	9	16%
Co-operative Bank	6	11%
TOTAL	56	100%

From Table 2, 54% of the respondents were from private banks with 46% of the respondents representing the banks with a big portion of government ownership. The distribution between the two classifications was therefore representative.

Table 2: Type of Banks surveyed

	No. of Respondents	Percentage
PRIVATE	30	54%
PUBLIC	26	46%
TOTAL	56	100%

It is also important to note that our 79% the respondents have used the banks they were assessing for more than three years with close to 21% of the respondents having used the banks for less than a year. This is shown in Table 3 indicating that at least the remains were representative of bank customers who have used their banks for a considerable amount of time.

Table 3: Duration of Banks in operation

Duration	No. Of Banks	Percentage
Less than 3 years	12	21%
more than 3 years	44	79%

Table 4 indicates that 55% of the customers have used more than one branch of the banks they were representing while just about 45% of the customers have used only one branch.

Table 4: Branches Used

No. of Branches	No. Of Banks	Percentage
More than one Branch	31	55%
One Branch only	25	45%
TOTAL	56	100%

Table 5: Ranking of SERVQUAL Features

RANK	FEATURE					
	1	2	3	4	5	6
1	(4)	(11)	(28)	(4)	(9)	
	7%	20%	50%	7%	16%	100%
2	(9)	(26)	(6)	(10)	(5)	
	16%	46%	11%	18%	9%	100%
3	(31)	(6)	(3)	(4)	(12)	
	56%	11%	5%	7%	21%	100%

From table 5, it is noticeable that a majority of the respondents (5%) considers feature 3 to be the most important. 46% of the respondents considered feature 2 to be the second most important while feature 1 was considered the least important feature.

TABLE 6 Ranking Of Top 10 SERVQUAL Items

It is discernible from the summary statistics that majority of the respondents agree that the 22 SERVQUAL items describe service quality in banking. A majority of the responses fell between agree (4) and strongly agree (5).

Ranking of the statements according to their means or standard deviations give the same results, revealing that most of the respondents regarded the items to contribute to service quality in banking.

The following top ten statements were ranked highly.

Statement 3, ranked first, focused on the fact that personnel in the Bank should have a neat appearance. Neatness therefore contributes highly to customers' perception of quality. Statements 15, ranked second focused on the safety of the customer while dealing with the banking indicating that if a customer perceives that he/she, then the perception of service quality will improve statement 17, ranked third, confirmed that if the personnel in the bank's are equipped with the right knowledge to answer customers' questions, then this is a contributor to service quality statement 1, ranked fourth, reflects the importance of modern looking equipment as a contributor to overall service quality.

Statement 16, ranked fifth, focused on the fact that personnel in banks should be consistently courteous to customers to improve customer's perception of quality. Statement 2, ranked sixth, reflects the perception of bank customers focusing on the physical facilities of the bank. These facilities should be visually appealing.

Statement 11, ranked seventh, focused on speed of delivery of service. Personnel in the bank should give prompt service as a service quality factor.
Statement 14, ranked eighth, focused on the behaviour of personnel in the bank with an indication that good personnel behaviour will instil confidence in the customers.
Statement 4, ranked ninth focused on the materials associated with bank services such as pamphlets or statements. That when these are usually appealing, then service quality is perceived to be good.

Lastly, statement 19, ranked tenth, reflects the perception that the bank should have convenient operating hours in order to be perceived as providing quality service.
In summary, therefore, it is evident that all the respondents agree that the 22 components contribute to some extent to service quality in banking.

4.2 Factor Analysis: Section IV

In determining the number of factors prior hypothesis acted as a guide. According to the SERVQUAL model, the number of factors that should be extracted are 5.

Table 6: Pattern Matrix

	Factor				
	1	2	3	4	5
EXP1	6.415E-03	-.752	.373	.175	6.891E-02
EXP2	.351	.652	-4.420E-02	.326	.221
EXP3	.361	.527	-.117	.576	-.160
EXP4	-.164	.576	.229	.798	-6.474E-02
EXP5	.844	.063	-5.008E-02	-3.951E-02	-.144
EXP6	-.840	.160	.300	-4.074E-03	.124
EXP7	.536	.182	-.235	4.887E-02	.195
EXP8	.668	.266	-.285	1.775E-02	.294
EXP9	.589	.189	-1.883E-03	-.179	.627
EXP10	3.571E-02	9.517E-02	.574	.332	.236
EXP11	.262	.358	.762	.314	-3.524E-02
EXP12	-.207	.100	.568	.157	-3.403E-02
EXP13	-5.125E-02	-.132	.648	5.928E-02	.781
EXP14	9.363E-02	.202	.504	-.647	.153
EXP15	.046	.310	4.373E-02	.573	-5.226E-03
EXP15	.046	.310	4.373E-02	.573	-5.226E-03
EXP16	.145	8.370E-02	-6.383E-02	.748	4.722E-02
EXP16	.145	8.370E-02	-6.383E-02	.748	4.722E-02
EXP17	.315	-3.488E-02	7.591E-02	-.662	.172
EXP17	.315	-3.488E-02	7.591E-02	-.662	.172
EXP18	.387	-8.178E-02	.611	-.167	.697
EXP18	.387	-8.178E-02	.611	-.167	.697
EXP19	.082	-.198	-4.612E-02	.195	-.684
EXP19	.082	-.198	-4.612E-02	.195	-.684
EXP20	.139	-7.978E-02	.219	-.110	.622
EXP20	.139	-7.978E-02	.219	-.110	.622
EXP21	.028	.128	.201	2.756E-02	-.541
EXP21	.028	.128	.201	2.756E-02	-.541
EXP22	.445	3.323E-02	.596	-5.414E-02	-.431

The pattern matrix above (table 6), obtained after an oblique rotation using promax indicates that the significantly loaded items on the factors are as follows:-

Factor 1: This can be named Reliability since most of the components in the SERVQUAL model are substantially represented.

-     Variable Exp5   -   84%
-     Variable Exp6   -   84%
-     Variable Exp7   -   53.6%
-     Variable Exp8   -   66.8%
-     Variable Exp 9   -   58.5%

Factor 2: This factor can be named Tangibles with the following significantly loadings.

-     Variable Exp1   -   75.2%
-     Variable Exp2   -   65.2%
-     Variable Exp3   -   52.7%
-     Variable Exp4   -   57.6%

Factor 3: This factor can be named Responsiveness with high factor loadings of the following variables:

-     Variable Exp10   -   57.4%
-     Variable Exp11   -   76.2%
-     Variable Exp12   -   56.8%
-     Variable Exp13   -   64.8%

Factor 4: This factor can be named Assurance with the following significant loadings:

-     Variable Exp14   -   64.7%
-     Variable Exp15   -   57.3%

- Variable Exp16 - 574.8
- Variable Exp17 - 66.2%

Factor 5: This factor can be named Empathy with the following loadings

- Variable Exp18 - 69.7%
- Variable Exp19 - 68.5%
- Variable Exp20 - 62.2%
- Variable Exp21 - 54.1%
- Variable Exp22 - 43.1%

4.3 SERVQUAL Results

Table 7: SERVQUAL results

CASE NUMBER	P-E GAP SCORE
1	-.41
2	-1.63
3	.085
4	.145
5	-1.77
6	-.025
7	-.16
8	-.58
9	-1.41
10	-1.0875
11	-2.8625
12	-.7475
13	-1.02
14	-.2925
15	-.01
16	-1.5425
17	-1
18	-1.1775
19	-.82
20	-1.11
21	-.675
22	-1
23	-1.7725
24	.075
25	-.405
26	-1.01
27	-.95
28	-1.39
29	-.5
30	-1.195
31	-.4
32	.065
33	-.315
34	.23
35	-.51
36	.035
37	-.7525
38	.775

39	.565
40	-2.15
41	-.02
42	-.895
43	.7375
44	-1.685
45	-.3025
46	-.495
47	-.1
48	-1.85
49	-1.5375
50	-1.18
51	-.305
52	-1.905
53	-.23
54	-1.465
55	-.615
56	-.41
TOTAL	**-40.9625**

Total SERVQUAL score = -40.9625/56 = - 0.731473214

Table 7 above shows the individual and total SERVQUAL "gap" analysis scores. The results indicate that 84% of the respondents' scores were negative, reflecting the view that there is a negative P-E. The total SERVQUAL score was -.731473214.

CHAPTER 5: SUMMARY AND CONCLUSIONS

In this study, the SERVQUAL model developed by Parasuramn et al was used to assess service quality in the banking sector. The model proposed five constructs of tangibles, reliability, responsiveness, assurance and empathy with a total of twenty-two components. These formed the basis for the deviation of the objectives of the study. The broad objective of the study therefore was to identity the critical factors of service quality in banking and to carry out a gap analysis of the perception and expectations of bank customers with regard to quality.

The literature review focused mainly on the various studies in other parts of the world using the SEVQUAL instrument, which was necessary to justify the use of the instrument in this study.

5.1. DISCUSSIONS

From the research findings as presented in section four of the project, several conclusions can be drawn in support of the adopted model. These are discussed in relation to the objectives of the study.

5.2 Critical factors of service quality

Table XX identified and ranked the 22 items of the SERVQUAL model. The top 10 critical factors identified were:-

5.2.1 Personnel in excellent banks will be neat in appearance

89 % of the respondents agreed that this is an important factor of service quality in banking with only 4% of them disagreeing.

5.2.2 Feeling of safety in dealing with the bank

76% of those interviewed indicated that a feeling of safety when dealing with the bank contributes highly to their perception of service quality with only 4% disagreeing with this view.

5.2.3 Knowledge of Bank personnel

82% of the respondents reflected the view that personnel in the banks should have the necessary knowledge to answer customer questions, complaints, suggestions and problems.

5.2.4 Modern Looking Equipment

At least 80% of the respondents indicated that modern looking equipment in banks such as ATMs, computers, counting machines etc enables customers to perceive quality in provision of services.

5.2.5 Courteous Bank Personnel

70% of the interviewees are of the opinion that service quality is perceived when the personnel in the banks are consistently courteous to the customers.

5.2.6. Visually Appealing Physical Facilities

At least 73% of the respondents indicated that facilities of the banks should be usually appealing in terms of design to be regarded as excellent in service provision.

5.2.7 Promptness of Service

71% of those interviewed indicated that personnel in the bank should always give prompt service. This contributes to the perception of service quality by the bank customers.

5.2.8 The Behaviour of Bank Personnel

71% also indicated that the behaviour of bank personnel, if perceived to be acceptable, helps in instilling the confidence of the customer in dealing with the bank. This was therefore considered to be a contributory factor to perception of service quality.

5.2.9 Materials Associated with Bank Services

It was agreed by over 69% of the respondents that visual appeal of materials such as pamphlets, statements, ATM cards etc contributes to customers' perception of service quality in the banking industry.

5.2.10 Convenient Operating Hours

60% of the respondents indicated that the bank should have convenient operating hours in order for the bank to be perceived to be offering quality services.

5.3 SERVQUAL Results

It was noted that 84% of those who responded have negative individual SERVQUAL gap scores (P-E) indicating that there was a difference between their perception and expectation of service quality. This therefore reflected the fact that what banks considered as service quality was significantly different from the banks customers. Only 16% of the banks customers' had positive P-E score.

The total SERVQUAL gap score was therefore negative (-.731473214). Therefore the disparity between what customers perceived as quality and their expectation differed by as much as 73%.

5.4 CONCLUSIONS

This study sought to investigate the perceptions and expectations of bank customers with regard to quality of banking services in Kenya.
According to the results, most bank customers agree that service quality is at least a five dimensional construct of tangibles, reliability, responsiveness, assurance and empathy.
This conclusion is based on the high rankings of the twenty-two components of the SERVQUAL model.

5.4.1 Critical Factors of Service Quality

Ranking of the twenty-two components also confirmed that the following components should be taken as critical in provision of bank services:

1. Personnel in excellent banks should be neat in appearance
2. Banks should enhance the feeling of safety for customers.
3. Banks personnel should be knowledgeable
4. Banks should strive to have modern looking equipment
5. Courtesy of bank personnel enhances service quality
6. Banks should have visually appealing facilities
7. Service delivery should be prompt
8. Behaviour of Bank personnel determine service quality perception
9. Materials associated with bank services should have visually appealing
10. Banks should have convenient operating hours

5.4.2 Customers Perception and Expectation of Service Quality

The SERVQUAL procedures revealed that customers perception and expectation of service quality in banking is markedly different and is negative. This may have far reaching consequences since bank investments in quality may not necessarily be viewed as contributing to quality by their customers. It is therefore important for banks to remain dynamic in continually assessing the banks expectations versus their perception of bank services. This will enable banks to invest in the right factors, which are important for customers' perception of quality.

5.5 Limitations of The Study and Suggestions for Further Research

This part of the study discusses the limitations of the study and includes suggestions for further research.

5.5.1 Limitations

Resource and time constraints were major limitations of the study. This is because the study largely confined itself to firms in Nairobi.

A larger sample would also have been preferable taking into account the type of analysis that was adopted for this study.

In addition, there are not locally known studies, which have focused on customers' perceptions and expectations of service quality. The study therefore relied mainly on empirical studies on other countries, which operate in different cultural settings. The phenomenon of service quality is also highly dynamic with frequent changes on customers' perceptions and expectations. A 'snapshot' approach therefore is limiting.

5.5.2 Suggestions for further Research

Since this was a study of perceptions and expectations of service quality in the banking industry, a larger sample of atleast 300 respondents is required to make the empirical results more generalizable This study can also be extended to other service sectors, which are critical to the economy such as health sector, hospitality industry, transportation etc.

It would also be important to carry out a purely empirical research without reliance on any specific model in specific banks.

UNIVERSITY OF NAIROBI

Faculty of Commerce

The Respondent,

_____

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK

I am a postgraduate student in the Faculty of Commerce, University of Nairobi, pursuing a Masters in Business and Administration (MBA) Degree programme.

In order to fulfil the degree requirements, I am undertaking a Management Research project on "Customers perceptions and expectations of quality services in the banking sector".

This study is purely for academic purposes. All information given shall be kept strictly confidential. The study may bring out some suggestions, which could be useful for the industry. A copy of the final study may be availed to you on request once the study is complete.

Thank you for your time and valuable co-operation.

Yours faithfully,

Philemon Kandie

Supervisors Signature: _____

J.K Kipng'etich

APPENDIX 2: QUESTIONNAIRE

PART I CUSTOMER PROFILE

Which bank have you used in the past one-month that you will be evaluating:

_____

How long have you used the bank _____

Have you used more than one branch of the bank before _____

QUALITY OF SERVICE Questionnaire
PART II

Based on your experiences as a consumer in a Bank, please think about the kind of Bank that would deliver excellent quality of service. Please show the extent to which you think such a Bank would possess the feature described by each statement. If you feel a feature is *not at all essential* for excellent such as the one you have in mind, circle the number 1. If you feel a feature is *absolutely essential* for excellent Banks, circle 5. If your feelings are less strong, circle one of the numbers in the middle.

1-Strongly disagree; 2- Disagree; 3-Neither agree or disagree; 4-Agree; 5-Strongly agree

1.	Excellent Banks will have modern looking equipment.	1	2	3	4	5
2.	The physical facilities at excellent Banks will be visually appealing	1	2	3	4	5
3.	Personnel at excellent Banks will be neat in appearance	1	2	3	4	5

4. Materials associated with the service
    (such as pamphlets or online statements)
    will be visually appealing in an
    excellent Bank   1   2   3   4   5

5. When excellent Banks
    promise to do something by a
    certain time they will do so.   1   2   3   4   5

6. When a customer has a problem,
    excellent Banks will show
    sincere interest in solving it.   1   2   3   4   5

7. Excellent Banks will get
    things right the first time such
    as the operation of ATM services   1   2   3   4   5

8. Excellent Banks will
    provide their services at the time
    they promise to do so.   1   2   3   4   5

9. Excellent Banks systems
    insist on error-free records.   1   2   3   4   5

10. Personnel in excellent Banks
    will tell customers exactly when
    services will be performed.   1   2   3   4   5

11. Personnel in excellent Banks
    will give prompt service to customers. 1   2   3   4   5

12. Personnel in excellent Banks
    will always be willing to help customers.   1   2   3   4   5

13. Personnel in excellent Banks
    will never be too busy to respond
    to customers' requests.   1   2   3   4   5

14. The behaviour of personnel in excellent
    Banks will instil confidence
    in customers.   1   2   3   4   5

15. Customers of excellent Banks
    will feel safe in their dealings with the
    Bank.   1   2   3   4   5

16. Personnel in excellent Banks
    will be consistently courteous with
    customers.   1   2   3   4   5

17. Personnel in excellent Banks
    will have the knowledge to answer
    customers' questions.   1   2   3   4   5

18. Excellent Banks will give
    customers individual attention.   1   2   3   4   5

19. Excellent Banks will have
    operating hours convenient to all
    their customers.   1   2   3   4   5

20. Excellent Banks will have staff
    who give customers personal attention.   1   2   3   4   5

21. Excellent Banks will have
    the customers' best interests at heart.   1   2   3   4   5

22. The personnel of excellent Banks/
    s will understand the specific
    needs of their customers.   1   2   3   4   5

PART III

Listed below are five features pertaining to Banks and the service they offer. We would like to know how important each of these features is to *you* when you evaluate the service offered by a Bank. Please allocate a total of 100 points among the five features *according to how important each feature is to you* - the more important a feature is to you, the more points you should allocate to it. Please ensure that the points you allocate to the five features add up to 100.

1. The appearance of the Bank's physical facilities,
    equipment, personnel and communication materials.   _____ points

2. The Banks/'s ability to perform the promised service
    dependably and accurately.   _____ points

3. The Bank's willingness to help customers and provide
    a prompt service.   _____ points

4. The knowledge and courtesy of the Bank personnel
    and their ability to convey trust and confidence.   _____ points

5. The caring, individualised attention the Bank
    provides its customers.   _____ points

    TOTAL points allocated   100   points

(Please enter the feature's number)

Which one feature of the above five is most important to you ? _____

Which feature is second most important to you ? _____

Which feature is least important to you ? _____

PART IV

The following set of statements relate to your feelings about the Bank you have attended. For each statement, please show the extent to which you believe the Bank has the feature described by the statement. Once again, circling a 1. means that you strongly disagree that the Bank you have attended has this feature and circling a 5. means that you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are. There are no right or wrong answers - all we are interested in is a number that best shows your perceptions about the Bank which has treated you.

1-Strongly disagree; 2- disagree; 3-Neither Agree or Disagree; 4-Agree; 5-Strongly agree

1. The Bank has modern-
    looking equipment.   1   2   3   4   5

2. The physical facilities in the Bank/
    are visually appealing.   1   2   3   4   5

3. Personnel in the Bank are
    neat in appearance.   1   2   3   4   5

4. Materials associated with the service
    (such as pamphlets or statements)
    are visually appealing.   1   2   3   4   5

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5. When the Bank promises
   to do something by a certain time
   it does so.   1   2   3   4   5

6. When you have a problem, the
   Banks/ shows a sincere
   interest in solving it.   1   2   3   4   5

7. The Bank gets things
   right the first time.   1   2   3   4   5

8. The Bank provides its
   services at the time it promises
   to do so.   1   2   3   4   5

9. The Bank insists on
   error-free records.   1   2   3   4   5

10. The personnel in the Bank
    tell you exactly when services
    will be performed.   1   2   3   4   5

11. Personnel in the Bank give
    you prompt service.   1   2   3   4   5

12. Personnel in the Bank are
    always willing to help you.   1   2   3   4   5

13. Personnel in the Bank are
    never be too busy to respond to your
    requests.   1   2   3   4   5

14. The behaviour of personnel in the
    Bank instils confidence in you   1   2   3   4   5

15. You feel safe in your dealings with the
    Bank.   1   2   3   4   5

16. Personnel in the Bank are
    Consistently courteous with you.   1   2   3   4   5

17. Personnel in the Bank have
    the knowledge to answer your
    questions.   1   2   3   4   5

18. The Bank gives you
    individual attention.   1   2   3   4   5

19. The Bank has operating
    hours convenient to all its customers.   1   2   3   4   5

20. The Bank has personnel
    who give you personal attention.   1   2   3   4   5

21. The Bank has your best
    interests at heart.   1   2   3   4   5

22. The personnel of the Bank
    understand your specific needs   1   2   3   4   5

PART V

Is the bank you have evaluated in the Private or Public sector _____

Thank you for the time you have spent in completing this questionnaire. The results will help us to provide you with the best possible service in the future.

Appendix 3 : SERVQUAL PROCEDURES

Dimensions:

Statements	1-4	Tangibles
Statements	5-9	Reliability
Statements	10-13	Responsiveness
Statements	14-17	Assurance
Statements	18-22	Empathy

Procedures

1. Compute the 'gap' for each statement pair for each consumer.
   SERVQUAL score = Perceptions Score - Expectations Score

2. Compute the dimensions scores for each respondent by averaging the gap score over the relevant number of statements (either 4 or 5 statements)

3. Derive SERVQUAL respondent's scores in the following way:

Unweighted scores Sum dimensions and divide by 5

Weighted scores	Tangibles *	(Tangibles Weight/100)	+
	Reliability *	(Reliability Weight/100)	+
	Responsiveness *	(Responsiveness Weight/100)	+
	Assurance *	(Assurance Weight/100)	+
	Empathy *	(Empathy Weight/100)	

4.   Derive total SERVQUAL scores by totalling the scores and dividing by No of
     Respondents.

Pattern Matrix

	Factor 1	2	3	4	5
EXP1	6.415E-03	-.752	.373	.175	6.891E-02
EXP2	.351	.652	-4.420E-02	.326	.221
EXP3	.361	.527	-.117	.576	-.160
EXP4	-.164	.576	.229	.798	-6.474E-02
EXP5	.844	.063	-5.008E-02	-3.951E-02	-.144
EXP6	-.840	.160	.300	-4.074E-03	.124
EXP7	.536	.182	-.235	4.887E-02	.195
EXP8	.668	.266	-.285	1.775E-02	.294
EXP9	.589	.189	-1.883E-03	-.179	.627
EXP10	3.571E-02	9.517E-02	.574	.332	.236
EXP11	.262	.358	.762	.314	-3.524E-02
EXP12	-.207	.100	.568	.157	-3.403E-02
EXP13	-5.125E-02	-.132	.648	5.928E-02	.781
EXP14	9.363E-02	.202	.504	-.647	.153
EXP15	.046	.310	4.373E-02	.573	-5.226E-03
EXP16	.145	8.370E-02	-6.383E-02	.748	4.722E-02
EXP17	.315	-3.488E-02	7.591E-02	-.662	.172
EXP18	.387	-8.178E-02	.611	-.167	.697
EXP19	.082	-.198	-4.612E-02	.195	-.684
EXP20	.139	-7.978E-02	.219	-.110	.622
EXP21	.028	.128	.201	2.756E-02	-.541
EXP22	.445	3.323E-02	.596	-5.414E-02	-..431

Extraction Method: Principal Axis Factoring.   Rotation Method: Promax with Kaiser Normalization.
a Rotation converged in 10 iterations.

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	9.115	41.434	41.434	8.754	39.792	39.792	6.321
2	2.295	10.431	51.865	1.967	8.939	48.731	6.537
3	1.691	7.687	59.553	1.284	5.836	54.567	4.762
4	1.205	5.479	65.032	.776	3.528	58.095	4.049
5	1.120	5.093	70.124	.747	3.396	61.491	4.517
6	.956	4.346	74.471				
7	.784	3.563	78.034				
8	.649	2.949	80.983				
9	.642	2.918	83.901				
10	.592	2.693	86.594				
11	.572	2.601	89.195				
12	.458	2.082	91.277				
13	.411	1.867	93.144				
14	.335	1.522	94.666				
15	.276	1.252	95.919				
16	.238	1.080	96.999				
17	.204	.928	97.927				
18	.151	.685	98.612				
19	.122	.555	99.166				
20	8.701E-02	.396	99.562				
21	5.672E-02	.258	99.820				
22	3.970E-02	.180	100.000				

Extraction Method: Principal Axis Factoring.

a When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Factor Correlation Matrix

Factor	1	2	3	4	5
1	1.000	.488	.369	.349	.388
2	.488	1.000	.481	.556	.554
3	.369	.481	1.000	.262	.377
4	.349	.556	.262	1.000	.482
5	.388	.554	.377	.482	1.000

Extraction Method: Principal Axis Factoring.   Rotation Method: Promax with Kaiser Normalization.

APPENDIX 4: REFERENCES

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