CUSTOMER PERCEPTION OF SEVICES OFFERED BY COMMERCIAL BANKS IN KENYA –A CASE STUDY OF TEA INDUSTRY

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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 16.11.2010

Charles Gatere Njura

D61/70580/2008

This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my 'Cucu' Nyokabi and 'Maitu 'Wangeci.

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I am thankful to God who gave me strength, good health and a sound mind throughout my study period.

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ABSTRACT

Researchers in the field of service quality have developed the concept and measurement of service quality. They provide an explanation of the concept of service quality and identify the various gaps that affect service quality as perceived by customers. The SERVQUAL model was developed to measure the difference between customers' expectation and perceptions of the service quality. In Kenya much has been studied in the area of service quality for such industries as banks/mortgage, hospitality, transport, post services and 'matatu' industry. TheTea industry in Kenya began undergoing the changes after and during privatization in 2000 and there has been much engagement with banks in providing the sector with commercial services like loans, asset financing and deposit taking. Since the industry plays an important part in Kenya's economy, the need for establishing the perceived service quality is paramount.

A sample of sixty tea factories was used for this study. These tea factories are managed by Kenya Tea Development Agency Limited. The data was collected using structured questionnaires which were self administered through e-mails, drop-in-wait and collect later. These questionnaires had three parts: A, B and C. Parts B and C consisted of service quality attributes for customers' expectations and perceptions respectively scored on five point Likert Scale. The financial managers in the tea industry filled in the questionnaires indicating their views on services offered by commercial banks in Kenya. Each service quality dimension was assessed, rated and ranked in terms of its weighted importance in determining the expected service (Part B) and the perceived service (Part C).The objective of the study was achieved by analyzing and comparing the results of Part B and C of the questionnaires.The difference between the means of the two parts was taken to be the perceived service quality (Gap 5 of the SERVQUAL model).

On the expected service quality, the mean score for the service quality dimensions ranged from 4.25 to 3.26 with an over all mean of 3.97.A service quality gap of-0.71 was realized. The highest gap noted was for the empathy and the lowest on the tangibles. Commercial Banks need to take measures to bridge the gaps in the service quality dimensions especially those of empathy and responsiveness. There is need for commercial banks to do gap analysis which would assist in identifying the causes of service quality shortfalls

CHAPTER ONE: INTRODUCTION

1.1 Background

The world economy is facing serious recession and no country, small or big, developed or developing, has been spared the negative effects of this crisis. Overall, the global economy was projected to decline by 1.3 percent in 2009, down from a growth of 3.3 percent in 2008. The projected global economic recovery is a sluggish 1.9 percent in 2010. The global economy experienced slower growth against projected outcomes during 2008 due to a financial crisis arising from the housing sector in the USA. World trade experienced a slump in 2008 growing by 4.8 per cent compared to 7.0 per cent in 2007. (Kenya Economic Survey, 2009)

The slower growth rates experienced in 2008 were attributed partially to high commodity and crude oil prices. However the International Monetary Fund's World Economic Outlook October 2009 projected that after a deep global recession, economic growth turned positive, as wide-ranging public intervention has supported demand and lowered uncertainty and risk in financial markets. The global recovery is expected to be slow. In the advanced economies, unprecedented public intervention has stabilized activity and even fostered a return to modest growth in several economies. Emerging and developing economies are generally ahead on the road to recovery led by resurgence in Asia and stabilization of modest recovery elsewhere. Many countries in emerging Europe and the Commonwealth of Independent States (CIS) have been hit hard by the crisis and recovery in these economies is generally lagging those elsewhere. (Kenya Economic Survey, 2009)

After contracting by about 1 percent in 2009, global activity is forecast to expand by about 3 percent in 2010, which is well below the rates achieved before the crisis. In general, the fragile global economy still seems vulnerable to a range of shocks, including rising oil prices, geopolitical events, and resurgent of protectionism. Financial market conditions have remained difficult with equity markets in both developed and emerging economies making little or no gains. Currency markets have remained volatile. Despite

wide ranging policy measures to provide additional capital and reduce credit risk in USA, Europe and other advanced economies,

Market conditions are projected to continue being difficult until policy actions are implemented to structure the financial sector. (Kenya Economic Survey, 2009).Like the rest of the world, sub-Saharan Africa is also feeling the impact of the global economic crisis. Current projections indicate that the growth of the sub-Saharan Africa economy fell to 1.7 percent in 2009, from 5.5 percent in 2008. Indeed, the growth rate of the economies that are Kenya's major trading partners in the East Africa Region, such as Uganda, Tanzania and Rwanda, was projected, on average, to decelerate to 5.6 percent in 2009 from 9.4 percent in 2008. African countries must as a priority take appropriate measures to contain the adverse effects of the crisis on their economies, while preserving the hard won gains in the recent years. (Government of Kenya, 2009/2010)

In Kenya most of the gains that had been painfully achieved between 2003 and 2007 were substantially reversed in 2008. The economy experienced a dramatic downturn in 2008, growing by a mere 1.7 percent, largely attributed to the adverse effects of the unfortunate events that followed the 2007 December General Elections. The problem was compounded by the sharp increase in the prices of oil and fertilizer in the International market and the drought conditions following failed rains in the short-rain season (Government of Kenya, 2009/2010).Agriculture is the mainstay of the Kenyan economy, accounting for about 24% of the Gross Domestic Product (GDP). More than one-third of Kenya's agricultural produce is exported, accounting for 65% Kenya's total exports. The agriculture sector accounts for 18% of the total formal employment in the country. Over 80% of the Kenyan population earns their livelihood from agriculture and agro-based industries. Agricultural growth is therefore a key determinant of growth and development within the Kenyan economy. Despite the central role that agriculture plays in the Kenyan economy, the sector continues to face four major challenges that have to do with productivity, land use, markets and value addition. (Kenya Vision 2030, 2007).

Horticulture, which essentially comprises cut flowers and fresh vegetables, almost entirely for export, has been growing very steadily over the years. In the past five years,

horticulture has grown considerably; bringing in much needed foreign exchange to Kenya and ranks among the country's most sophisticated and best developed industries. Tea is another strong export earner in the Kenyan economy along with coffee. (Kenya Vision 2030, 2007)).In 2007, tea was the third foreign exchange earner after tourism and horticulture, while in 2008; it was the number two in foreign exchange earning having overtaken tourism. Tea is a major cash crop in Kenya and contributes to the growth and development of the economy. Production of tea in Kenya stood at 314 million kilograms in 2009 as compared to 346 million kilograms produced in 2008 and projected to increase to 358 million in 2010. Tea exports accounted for Kshs 43 billion in 2007, Kshs63.8 billion in 2008 and Kshs69.6 billion in 2009 and projected to increase to 70.8 in 2010. Tea accounts for over 20% of the total exports value and therefore plays a key role in the economic development of this country. (Tea Board of Kenya)The tea industry relies on the commercial banks in Kenya for the provision of such services as lending of loans, asset financing, foreign currency dealings and deposit taking. It implies that the perceived service quality of services offered by Commercial banks in Kenya by Tea industry is of great concern.

1.1.1 The Tea Industry

Agriculture is the mainstay of the Kenyan economy, accounting for about 24% of the Gross Domestic Product (GDP). More than one-third of Kenya's agricultural produce is exported, accounting for 65% Kenya's total exports. The agriculture sector accounts for 18% of the total formal employment in the country. Over 80% of the Kenyan population earns their livelihood from agriculture and agro-based industries. Agricultural growth is therefore a key determinant of growth and development within the Kenyan economy. Despite the central role that agriculture plays in the Kenyan economy, the sector continues to face four major challenges that have to do with productivity, land use, markets and value addition. (Kenya Vision 2030, 2007).

Kenya has about 158,000 hectares of land under tea. Out of this, 107,000 hectares (68%) are under smallholder and 51,000 hectares (32%) under large scale. The main tea growing areas are in the Kenyan highlands, East and West of Rift Valley, at altitudes

between 5,000 and 9,000 feet above sea level. Small-scale farmers grow about 62% of tea while the rest is by large-scale producers. Tea is a major cash crop in Kenya and contributes to the growth and development of the economy. Production of tea in Kenya stood at 314 million Kilograms in 2009 as compared to 346 million Kilograms produced in 2008 and projected to increase to 358 million in 2010. Tea exports accounted for Kshs43 billion in 2007, Kshs63.8 billion in 2008 and Kshs69.6 billion in 2009 and projected to increase to 70.8 in 2010. Tea accounts for over 20% of the total exports value and therefore plays a key role in the economic development of this country. (Tea Board of Kenya)

The tea industry can be broken down into production, policy, regulatory, research, trade and promotion. The players in the production include smallholder farms, which are Kenya Tea Development Agency Ltd (K.T.D.A.LTD.) managed, medium sized farms, large scale privately owned estates that are members of the Kenya Tea Growers Association (KTGA) and the Nyayo Tea Zones Development Corporation (NTZDC).The policy, regulatory and research aspects of the industry are managed by the Ministry of Agriculture, Tea Board of Kenya (TBK) and Tea Research Foundation of Kenya (TRFK) respectively. Trade and promotion is overseen by the members of the East African Tea Trade Association (EATTA) and other external tea promotion agents and councils. (Tea Board of Kenya)

The Tea industry is facing major challenges due to increased customer expectations especially in terms of the quality and range of consumer goods and personal services, rapid advance of micro-electronic technology which has revolutionized many of the processes by which goods and services are made available, increased competition in domestic and foreign market, greater concern worldwide for the protection of the environment leading to government and international action against certain countries and industries, greater emphasis on consumers' rights in terms of safety, reliability and better information, vast improvements in worldwide communication systems enabling faster flow of information between customers, suppliers and agents, increased supra-national

laws and regulations affecting business as a result of decisions made by such groups as the European Union, changing political situations in major markets, lack of financial support from the central government and poor credit facilities from banks and exploitation by rural Microfinance and Savings and Credit financial institutions. (Tea Board of Kenya)

1.1.2 Commercial Banks in Kenya

A commercial bank is a type of financial intermediary. Commercial banking is also known as business banking. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits dealing with deposits and loans from individuals, corporations and large businesses. Commercial banking may also be seen as distinct from retail banking, which involves the provision of financial services direct to consumers. Many banks offer both commercial and retail banking services. (Sheffrin: 2003).

Commercial banks provide such services as processing of payments by way of telegraphic transfer, internet banking, suing bank drafts and bank cheques ,accepting money on term deposit lending money by overdraft, installment loan, or other means, providing documentary and standby letter of credit, guarantees, performance bonds, securities underwriting commitments and other forms of off balance sheet exposures ,safekeeping of documents and other items in safe deposit boxes ,sale, distribution or brokerage, with or without advice, of insurance, unit trusts and similar financial products as a "financial supermarket. Source: (Sheffrin: 2003).

The banking industry in Kenya has become very competitive due to many players, and also due to liberalization of the economy and technological advancements. Kenyan banks have responded to these challenges by introducing innovative products and services. Banking is no doubt a competitive business. Most banks' strategic intent are becoming increasingly difficult, every one of them wants more customers and to give the best services and products. Most of the banks have a wide net work of branches both in the urban and rural areas. The banks have similar products and hence compete in delivering fast and efficient services. Some have differentiated the market and specialize in serving

the corporate and high net worth customers. For some, customers have been segmented and services are offered at different banking halls or branches (The Banking Survey Kenya, 2008).It is important for banks to understand how customers perceive these services and products because perception is a determinant of customer choice.

1.1.3 Perceived Service Quality

Services are defined as economic activities between two parties, implying an exchange of value between seller and buyer in the market ware. Services are also described as performances that are most commonly time based. Purchaser buys services because they are looking for desired results (Lovelock, Wirtz, 2007).Modern economies are driven by individual service business operation within an array of industry. Collectively they are responsible for the creation of substantial majority of all new jobs, both skilled and unskilled around the world. Many of these are undergoing dramatic transformation driven by advances in technology, globalization changes in government policies and evolving consumer needs and lifestyles. Important business trends include authority and strategic alliances. On such an environment effective marketing and individual organization survives or declines and fails. (Lovelock, Wirtz, 2007)

Quality is a difficult concept to define and measure yet in marketing the quality of service is central to the success and growth of a business. Traditionally quality management arose in manufacturing goods through the pioneering quality control efforts of Schwartz, Doming, Juran and others. These were focused towards engineering tolerance and defects rates which were measured objectively by scientific instruments. Several researchers have tried to give various explanations that loosely define service quality. Christopher et al (1991) and Becker (1994) saw service quality as concerned with meeting or exceeding customer's expectation. These definitions show that service quality is not a one-occurrence but a set of processes from pre- transaction to post transaction.

According to Loudon (1997), perception is the process of receiving and delivering meaning from stimuli present in an individual's internal and external environment. Loudon further states that to perceive is to see, hear, taste, touch, smell or sense intensely something, event or relation and to organize, interpret and derive meaning from the

agreement. It is therefore, a process made of several interrelated activities which result in the individual giving meaning of the environment from experience and varies from one person to another since different individuals see the same thing in different ways. (Harold, 1978). Kibera and Waruinge (1988) summarize perception as the process which attributes meaning to incoming stimuli through the human sense. It consists of two factors, the stimuli and the individual. Knowledge of the perception process is essential since the manner in which users of a product or service interpret the information is affected by their cognitive understanding that they have established in their minds. Further perception is important especially to marketers since it involves the constitution of the users feelings about a particular stimuli and helps in developing strategies towards users meeting that which the user perceives as important (Njoroge 2003).Customer perceptions of bank service quality are critical to the success of banking industry because of their influence on satisfaction and bank profitability. Moreover, perceptions of service quality enable service providers to identify the activities that require improvement. Additionally, satisfying customers can save service providers time and money on resolving customer complaints Customer satisfaction and service quality is becoming a critical objective in the strategic planning process. Customers demand more information than ever and do not hesitate to switch to another service provider if they don't obtain satisfaction. As a result, the provision of quality service and improving customer satisfaction are key strategies and are crucial to the long-run success and profitability of service providers (Recklies, 2006).With the growing presence of banking services providers in the business and commerce marketplace and the increasing demand for quality and sophisticated services, it is essential to understand customer perceptions offered by service providers and what factors influence customer satisfaction and retention.

1.1.4 Problem Statement

The conceptualization and measurement of service quality have been well described and researched, (Parasuraman and Beoyl, 1985). They provide an explanation of the concept of service quality and identify the various gaps that affect service quality as perceived by customers. Among them, the difference between customers' expectation of service and

their perceptions of the service quality.They developed SERVQUAL as a scale for measuring customers' perception of service. Porters and Austin (1985) stated that the real is what is perceived. Perceived quality is what counts. Since services are characterized by experience and credence qualities, consumers use cues through their experiences developed attitudes towards the services offered by an organization. There has been a strong advocacy for the adoption of customer retention as one of the key performance indicators (Kaplan and Norton, 2001). For instance, a study by Reichheld and Sasser (1990) reported a high correlation between customer retention and profitability in a range of industries. However, the fragmentation of media choices and the dynamic nature of the market, coupled with an increased number of more demanding and affluent consumers, brought greater challenges to marketing practitioners in retaining their customers. Service Quality is dependent on the customers and their perception of the service (Rust at al, 1996).Developing a system to identify the perceived quality of services is thus crucial in developing effective strategies and achieving sustainable competitive advantage. Further, it is important for an organization to determine the perception of its users on its service quality which is pertinent to meeting its objectives. As Ngatia (2000) observed, unless the perception of the consumers are understood, it would be difficult for the service providers to achieve their objectives in service quality objectives and strategies. The quality of a service nature is difficult to determine or evaluate unless it is first experienced.

In Kenya much has been studied in the area of service quality. Ndegwa (1996) Maside (1986),Mwendwar (1987), Mwaura (2002),Mwangi (2003),Njoroge (2003) and Maina (2006) have studied diverse Industries including banks/mortgage, hospitality , transport , post services , Power and Lighting and Matatu industry. However, the above studies were in different industries and their findings may not be applied in Tea Industry. Further since Tea industry began undergoing the charges after and during privatization in 2000, there has been much engagement with banks in providing the sector with commercial services like loans, asset financing and deposit taking. Recognizing the need of establishing the perceived service quality, the study seeks to fill in the gap by studying the perceived service quality of the tea industrial players on the services offered by commercial banks in Kenya.

1.3 Research Objective

Service performance is subject to human variability and heterogeneity. It is important for the organization to pay attention to service performance. Therefore, this study will be guided by the following research objective:

(i) To identify customers expectation for the services provided by commercial banks in Kenya to tea industry.

1.4 Significance of the Study

In this increasing competitive environment, quality service is critical to corporate success (Lovelock 2006). As competition intensifies (Behan, 1994) observed that organizations have realized that strength of their brand names, corporate image, effective advertising, price, trade marks and many others are no longer sufficient to differentiate them from competitors. Service quality has become a key differentiator. (Lovelock, 2007).It is commonly said that what is not measured is not managed. Without measurement one cannot be sure whether service quality gaps exist, let alone what types of gaps, where they exist, and what potential corrective actions should be taken. Measurement is needed to determine whether goals for improvements are being met after changes have been implemented. (Lovelock, 2007)

Commercial banks will benefit by understanding the attributes that are of importance to the tea industry players and revamping the areas of weakness and sustaining the areas of strength. They can direct or redirect effort to match customers' expectations. Other financial institutions like micro finance institutions and Savings and Credit Societies can use the result of this study to improve on their strategies in serving the tea industry in Kenya. Academicians and researchers will use the research as an addition to their wealth of knowledge and constitute a firm foundation for further research in the area of study. They will find the study helpful because it can form the basis for further research and academic investigations in other areas of service quality. Policy makers can use the results of the study in developing appropriate policies for the relevant services providers. Each service provider has unique challenges and the result of this study can form the basis for improving the quality of services for a given service sector. New investors in

Tea Industry can use the research findings in understanding the banking industry in Kenya .The investors will be assisted in choosing the banks to do business with.

CHAPTER TWO: LITERATURE REVIEW

2.1 Definition of Service

Different authors have defined service as a concept differently. Rust et al (1996) defines service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. The production may or may not be tied to a physical product (Kotler, 1999). Bitner, Booms and Mohr (1994) define service quality as 'the consumer's overall impression of the relative inferiority / superiority of the organization and its services'. While (Taylor and Cronin, 1994) view service quality as a form of attitude representing a long-run overall evaluation, Parasuraman, Zeithaml and Berry (1985) defined service quality as 'a function of the differences between expectation and performance along the quality dimensions'. This has appeared to be consistent with Roest and Pieters' (1997) definition that service quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits

The American Marketing Association (AMA, 1960) defines service as activities, benefits and satisfaction which are offered for sale or are provided in connection with the sale of goods. Blois as quoted by Ndegwa (2001) defined service as an activity offered for sale that yields benefits and satisfaction without leading to a physical exchange in the form of a good. For the purpose of this study, the researcher will adopt the definition given by Bitner, Booms and Mohr (1994) who define service quality as 'the consumer's overall impression of the relative inferiority / superiority of the organization and its services'. The above definition has the following implication; the entity that is under consideration must be experienced and evaluated against some bench marks that would give a measure of benefit or satisfaction.

2.1.1 Unique Characteristics of a Service

Services cannot be owned and stored like products. Most services are produced and consumed concurrently (Carmen and Langeard, 1980, Gronroos, 1978). Services are used or hired for a period of time. For example when buying a ticket to a cinema hall the

service lasts maybe two hours, but consumers want and expect excellent service for that time. One cannot hold or touch a service unlike a product. In saying that although services are intangible the experience consumers obtain from the service has an impact on how they will perceive it (Beryl, 1980, Lovelock, 1981). The consumers perceive the location and the inner presentation of where they are purchasing the service. Because of intangibility, the firm may find it difficult to understand how consumers perceive their services and evaluate service quality (Zeithaml, 1981)

Services cannot be separated from the service providers (Beryl, 1981, Lovelock, 1981). A product when produced can be taken away from the producer. However a service is produced at or near the point of purchase. Take visiting a restaurant, one orders a meal, the waiting and delivery of the meal, the service provided by the waiter/less is all apart of the service production process and is inseparable, the staff in a restaurant are as apart of the process as well as the quality of food provided. Services last a specific time and cannot be stored like a product for later use (Lovelock, Wirtz, 2007). If traveling by train, coach or air the service will only last the duration of the journey. The service is developed and used almost simultaneously. Again because of this time constraint consumers demand more. Perishability of services put pressure on service marketers to match service capacity to match demand patterns ((Lovelock, Wirtz, 2007).It is very difficult to make each service experience identical. (Brooms, Bitter, 1981). In traveling by plane the service quality may differ from the first time one traveled by that airline to the second, because of the airhostesses' more or less experience. A concert performed by a group on two nights may differ in slight ways because it is very difficult to standardize every dance move. Generally systems and procedures are put into place to make sure the service provided is consistent all the time, training in service organizations is essential for this, however in saying this there will always be subtle differences.

2.1.2 Service Quality

Service Quality has been the subject of many and varied definitions leading to the view that 'no one definition is the "best". In every situation each definition has both strengths and weaknesses in relation to criteria such as measurement and generalizability,

managerial usefulness and consumer relevance. Garvin (1980) is noteworthy for analyzing the range of quality definitions and classifying them into five groups. In product based approach service quality is taken as innate excellence, absolute and universally recognizable: 'You will know it when you see it'. It emphasizes quality as a mark of uncompromising standards. The origin of quality as excellence dates back to the Greek philosophers who referred to it as 'the best', 'the highest form', 'the highest idea'. If, then, we are to grant the title 'quality' only to those products and services that achieve the highest standards, what is to be said of the rest? It would seem we are left with individual perceptions or judgments of a service's attributes. That, some might argue, is the current marketing approach to the identification and measurement of service quality. For product-based approach, the emphasis is on quality as a precise and measurable variable. Any differences (in quality) that do occur reflect differences in the quantity of some ingredient or attribute possessed by a product. This approach leads to a vertical or hierarchical ordering of quality. Products are ranked according to the amount of ingredients/attributes that each possesses. However, an unambiguous ranking is possible only if the ingredients/attributes in question are considered preferable by all buyers. For services, on the other hand, precision and measurability represent an ongoing challenge. The user-based approach starts from the premise that quality 'lies in the eyes of the beholder'. Consumers are said to have specific wants or needs and those products that best meet their preferences are those that they view as having the highest quality. There are two problems with this approach. First, with so many different preferences in the marketplace it is going to be difficult arriving at an agreed definition of quality. Second, it tends to equate quality with satisfaction. As Garvin notes, 'a product that maximizes satisfaction is certainly preferable to one that meets fewer needs, but is it necessarily better as well'. Garvin's user-based approach focuses exclusively on the customer in the determination of quality. Manufacturing based approach is supply based and is concerned primarily with engineering and manufacturing practices. It focuses on conformance to internally developed specifications which are often driven by productivity and cost containment goals. The value based approach defines quality in terms of value and price, by considering target of between performance or conformance and price, quality comes to be defined as ;Affordable Excellence;

Service quality continues to be a challenging topic in contemporary quality management theory and practice. Unlike products, services are not easily measured, tested or controlled for quality and this topic has been the subject of study from different perspectives since early 1980s. Researchers in the field of marketing have contributed significantly to our understanding of the core premises of service quality (e.g., Gronroos 1978), Parasuraman, Zeithaml & Berry, 1981). The most consistent findings of two decades of service quality research are that: (i) service quality is more difficult for the consumer to evaluate than product quality; (ii) service quality perceptions result from a comparison of consumer expectations with actual service performance; and (iii) quality evaluations are not based solely on the outcome of a service but also involve evaluation of the delivery process.

2.2 The Concept of Perception

In psychology and cognitive sciences perception is the process of acquiring, interpreting, selecting and organizing sensory information (Kotler 2001). Customer perceptions are subjective assessments of actual service experiences and reflect the service as it is actually received. Customers perceive services in terms of quality of the service and how satisfied they are overall with their experiences. In customer service there are usually customers' expectations and customer perceptions. Customers' expectations are all the standards or reference points for performance against which service experiences are compared and are often formulated in terms of their overall satisfaction with the experience. Satisfaction is the consumers' fulfillment response. It is a judgment that a product or a service provides pleasurable level of consumption related fulfillment. It is the customers' evaluation of a product or service in terms of whether the product or service meets their needs and expectations (Zeithmal, 1995) Economic conditions have forced services providers to make difficult decisions. For a firm to remain competitive, it needs to attract new customers and retain the ones it has. Service providers will enjoy customers' loyalty if customers get satisfied with services provided by firms on a continuous and predictable basis. (Kotler 2003, Zeithmal 1996) agreed that any firm interested in delivering quality service must begin with a clear understanding of its customers. Executives need a third party understanding on where customer loyalty stands

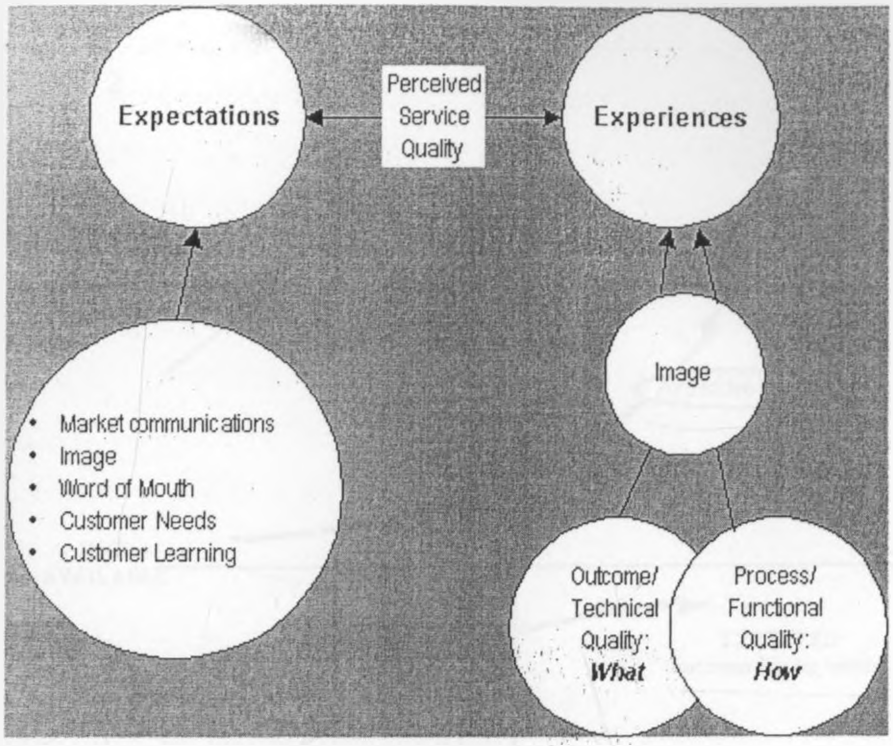
more than ever. Management needs a feedback from customers, partners and employees in order to continue to successfully innovate and grow. Understanding customers' perception enables companies to make well-informed decisions. In delivering superior services perception of an issue by the customer is often very different matter from the actual circumstances, being sensitive to customers view point and perception of issues helps in building customer loyalty. Customers satisfaction and customer focus of any company interested in delivering quality service must begin with clear understanding of its customers (Zeithmal 1997). Understanding customers' perceptions helps the firm to evaluate if the product or service has met the customers needs. Failure to meet customers' expectations results to dissatisfaction and can lead to loss of the customers. It is important for firms to understand customers' perception so that they can develop strategies that help them to meet customers' needs and expectations and to build strong customers relationship. Product markets are easily copied and modified, but services cannot be easily copied. According to Mc Nealy (1994) customer services is the key strategic weapon for the new millennium for any type of organization. Firms are now focusing on the customers to provide quality service.

The need to provide quality service has been accelerated by the liberalization of the economy, increased competition and increased customer awareness. Commercial banks in Kenya are no exception to the challenges in the economic environment and they have responded by introducing unique products and services deliveries such as e-banking, improved services environment and training of staff in customer care (The Banking Survey Kenya 2008). All these strategies are meant to promote competitive advantage.

There are a number of models which try to capture and define "Service Quality". Among them are: (a) Grönroos' Perceived Service Quality model (1982)

In Grönroos' Perceived Service Quality model, expectations are a function of market communications, image, word of mouth, and consumer needs and learning, whereas experience is a product of a technical and functional quality, which is filtered through the image.

Figure 1: Grönroos' Perceived Service Quality model (1982)



Source: Marketing services: the case of a missing product (Christian Gronroos: Journal of Business & Industrial Marketing

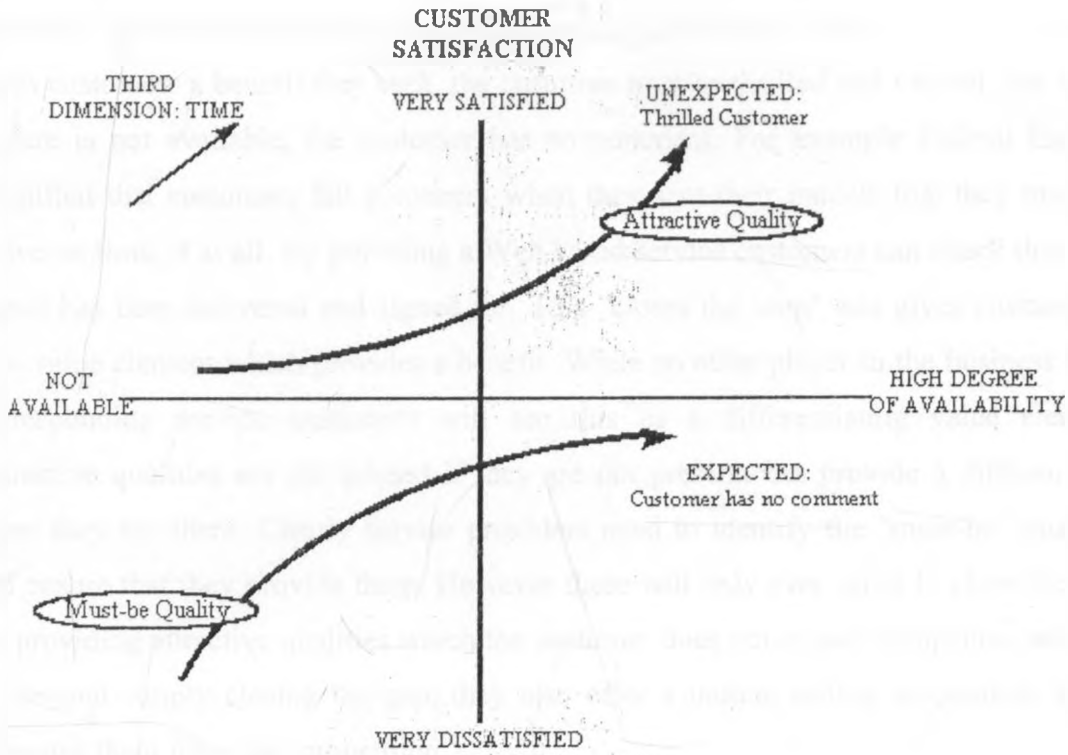
Grönroos more clearly shows the existence of a perception gap, although there is no suggestion of "delighting" only of narrowing the gap. However the model has more practical application as it shows factors that contribute to each side of the gap. It demonstrates that the supplier can affect both sides of the gap – most notably by managing customer expectations. In addition it illustrates that the customer experience is a product of the image of supplier quality, not just the actuality. Clearly, marketing as well as process and technical quality has an effect on the perception gap.

(b) Kano's Two Factor Model (1984)

In 1984 the Japanese quality guru, Professor Noriaki Kano, introduced a two-factor quality model, commonly known as "Kano's Curve" (Figure 2). The curve illustrates the difference between must-be, attractive, and linear quality elements. The vertical axis describes customer satisfaction that can move from "very dissatisfied" to "very satisfied".

The horizontal axis describes the existence or non-existence of a quality element, ranging from "not available" to "high degree of availability".

Figure: 2



Source: An integrated approach to innovative product development using Kano's model and QFD (X.X. Shen, K.C. Tan, M. Xie): European Journal of Innovation Management (http://www.emeraldinsight.com)

Must-Be Quality is an attribute which the customer expects as a matter of course. If it is not there, the customer will be extremely dissatisfied. This minimum acceptable standard is effectively a qualifier, very like Juran's "fitness for use" concept or Maslow's "hygiene factors". For example, customers expect a prompt response when calling a call centre, if the call centre takes a long time to answer the call the customer will be extremely dissatisfied. However, if the call is answered promptly, the customer will not express satisfaction but treats it as a normal, standard occurrence. The consequence of this is that "must-be" attributes invariably face a diminishing rate of return. Beyond a certain point,

improvements in "must-be" qualities will yield no discernible improvements in satisfaction.

Attractive Quality is that aspect of a product or service that goes beyond established current needs and therefore is not expected by customers. In contrast to the "must-be" qualifiers these aspects genuinely can differentiate a particular service. If a new feature gives customers a benefit they seek, the customer may be thrilled and excited, but if this feature is not available, the customer has no comment. For example Federal Express identified that customers felt a concern when they sent their parcels that they may not arrive on time, if at all. By providing a Web based service customers can check that their parcel has been delivered and signed for. This "closes the loop" and gives customers a new value element which provides a benefit. While no other player in the business has a corresponding service customers will see this as a differentiating value element. Attractive qualities are not missed if they are not present, but provide a differentiator when they are there. Clearly service providers need to identify the "must-be" qualities and ensure that they provide them. However these will only ever serve to close the gap. By providing attractive qualities which the customer does not expect companies not only go beyond simply closing the gap, they also offer a unique selling proposition which separates them from the competition.

The strength of the Kano model is that it identifies that some aspects of service are simply required to be "in the game" whereas others serve to genuinely provide competitive advantage and that there are diminishing returns to be gained from simply focusing on must-be qualities. However Kano does not provide diagnostic tools to identify or measure the different aspects, nor does he suggest how they change with time or environment.

(c) RATER

A complementary analysis of the perception gap is the RATER model also produced by Zeithaml (1990). RATER identifies the five key areas which together form the qualities of a service offering from a customer perspective. The Gap model describes the 'how' the provider can minimize the perception gap and RATER focuses on the dimensions of

customers expectations. The research also suggests the relative importance of each of the factors.

Table2. 1: RATER dimensions sorted by relative importance

RATER dimensions sorted by relative importance (Zeithaml 1990)

Dimension	Description	Relative importance
Reliability	Ability to perform the promised service dependably and accurately	32%
Responsiveness	Willingness to help customers and provide prompt service	22%
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence	19%
Empathy	Caring individualized attention the firm provides its customers	16%
Tangibles	Appearance of physical facilities, equipment, personnel and communication materials	11%

comSource:http://jefmenguin.wordpress.

The RATER factors help to provide specific dimensions which can be used to analyze and measure customer expectations.

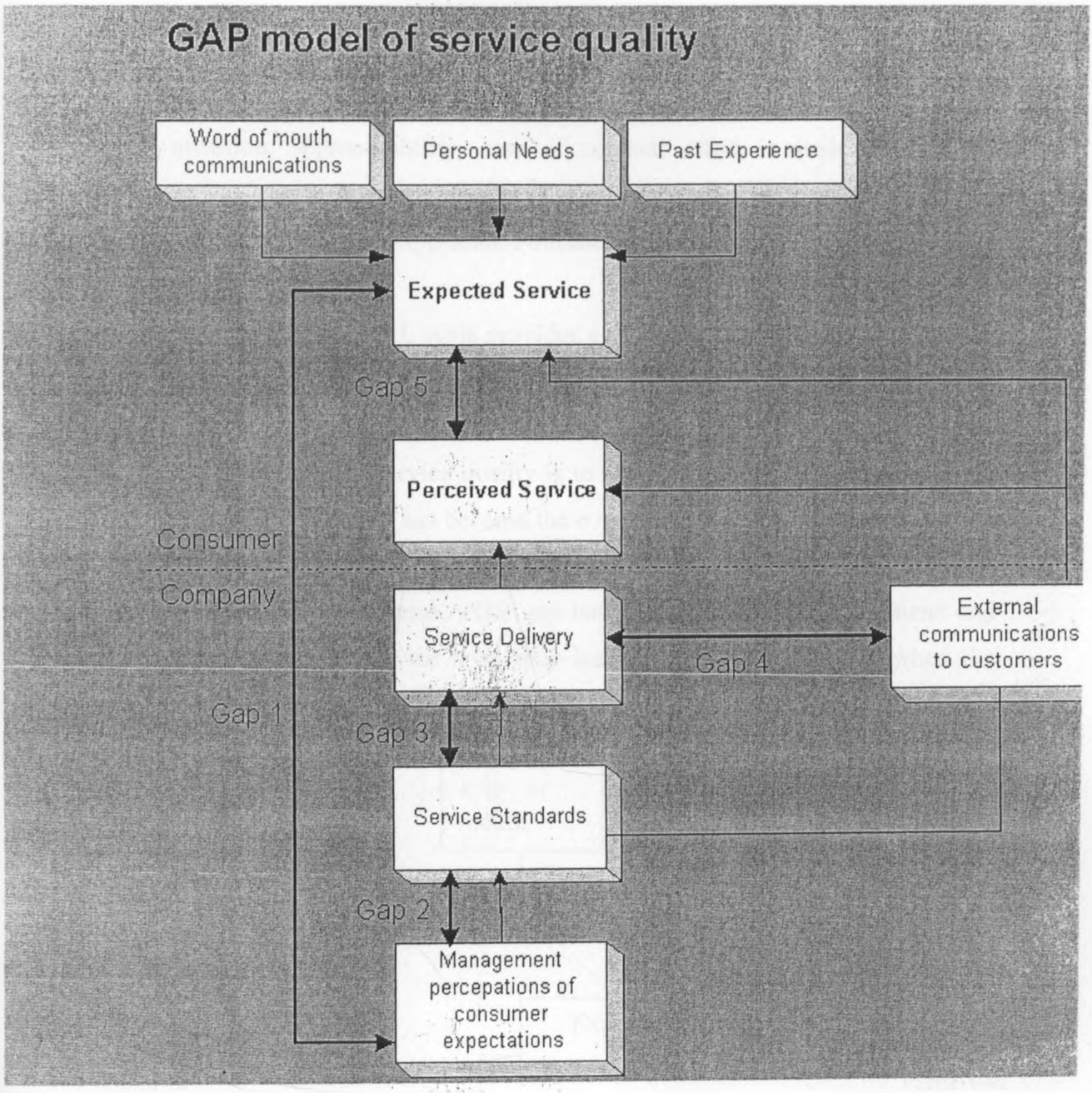
(d) Parasuraman et al. GAP model (Zeithaml 1996)

Various functions of the organization use different measures of the quality depending upon their respective definitions of quality. Thus, many organizations fall often short of reflecting customer's perspectives in defining the quality. Five different perspectives are used to define quality; these perspectives are identified as: transcendental (only through

experience, not definable), product-based (performance, features, reliability, durability, serviceability, perceived quality), user-based (fitness for use, defined by the customer), manufacturing-base (conformance, defined by the producer), and value-based (balancing conformance and performance with price). Another useful framework is that proposed by Nelson and Darby and Karni who distinguished among research, experience, and credence attributes of goods and services that are used to judge their quality. Few studies have attempted to define and model service quality because of difficulties involved in identifying what to measure let alone how to measure it. In their now classics study on the notion of service quality, Parasuraman, Zeithaml and Berry (1996) identified ten widely cited service quality determinants, i.e., the key criteria that customers use to evaluate quality regardless of the type of service: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles.

Parasuraman et al. GAP model (Zeithaml 1996) identifies five gaps that organizations should measure, manage and minimize: Gap 1 is the distance between what customers expect and what managers think they expect –This implies that a survey research is a key way to narrow this gap. Gap 2 is between management perception and the actual specification of the customer experience. Managers need to make sure the organization is defining the level of service they believe is needed. Gap 3 is from the experience specification to the delivery of the experience That means Managers need to audit the customer experience that their organization currently delivers in order to make sure it lives up to the specification Gap 4 is the gap between the delivery of the customer experience and what is communicated to customers Many times organizations exaggerate what will be provided to customers, or discuss the best case rather than the likely case, raising customer expectations and harming customer perceptions. Finally, Gap 5 is the gap between a customer's perception of the experience and the customer's expectation of the service. Customers' expectations have been shaped by word of mouth, their personal needs and their own past experiences. Routine transactional surveys after delivering the customer experience are important for an organization to measure customer perceptions of service.

Figure 3: Parasuraman et al. GAP model (Zeithaml 1996)



Source:http://www.degromoboy.com

Using factor analysis, Parasuraman et al developed a 22-item service quality scale in which the ten original determinants of quality were collapsed into five dimensions: Reliability implies: consistency of performance and dependability; performs service right at the first time; honors its promises; keeps accurate records, correct billing, and performs services at

the designated times. Responsiveness: readiness to provide the service; timeliness; setting up appointments promptly. Assurance: knowledge, competence and courtesy of employees; convey trust and confidence; has the required skills and knowledge; polite, respectful, considerate, friendly; trustworthiness, believability and honesty. Empathy: caring; individualized attention, approachability, ease of contact; effort in understanding the customers' needs. Tangibles: physical evidence of the service; physical facilities, tools and equipment; appearance of providers; appearance of other customers in the service facility

For each dimension, the SERVQUAL scale provides a score for customer expectations (E) and a score for customer perceptions (P) of service quality. The differences between the two scores on each dimension are called gap scores. According to Parasuraman and his colleagues, the key to optimizing service quality is to maximize these gap scores, and the associated gap equation (Q = P – E) has become the e = mc2 analog for service quality. As shown in Figure 1, perceived service quality is the result of the consumer's comparison of expected service with perceived service. The gap between producer's specifications and customers' expectations for the service level may lead to dissatisfaction even when the producer meets the exact design specifications.

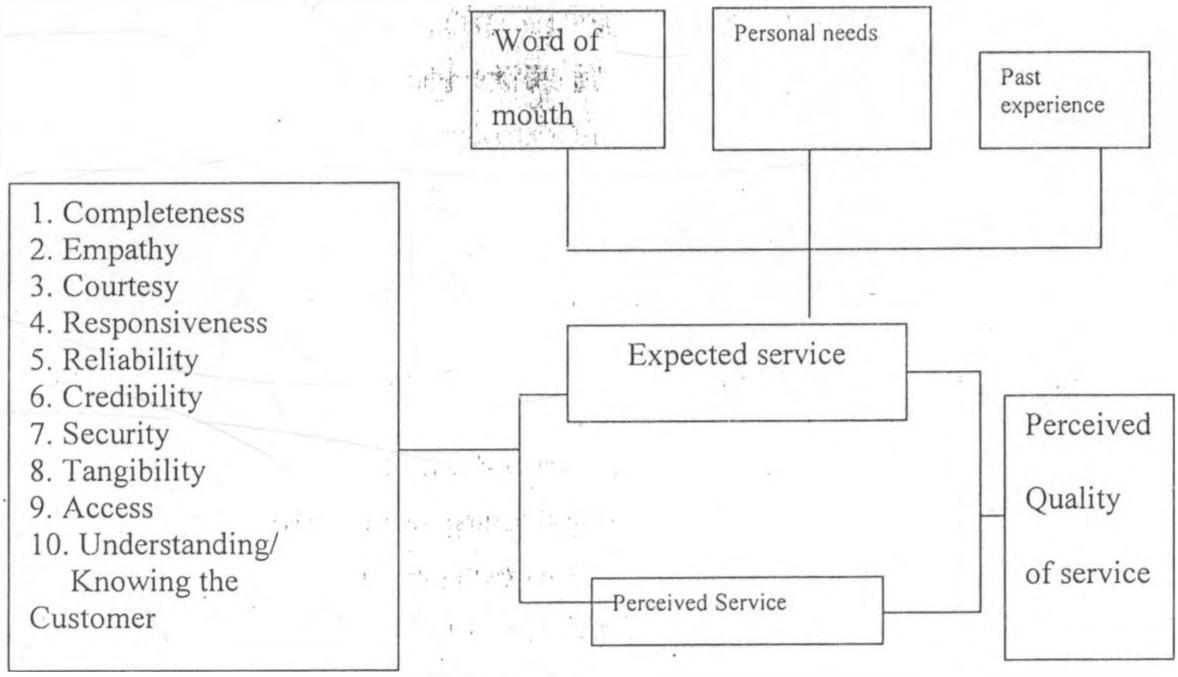


Figure 4: Determinants of Perceived Quality

Source: Martin Christopher, Andrian Payne and Ballantyne, 1991; Relationship Marketing: Bringing Quality Customer Service and Marketing Together

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers details of the manner in which the study was carried out.

The details are covered under the following heads in the order presented- Research design, Population, Sample And Sample Design, Data Collection , Operationalizing The Service Quality, Dimensions And Data Analysis.

3.2 Research Design

The proposed research was modeled on a descriptive design. According to Clava and Nachinias (2003) a descriptive study aims at determining the what, when and how of the phenomena. This study aims to determine the perceptions of the tea Industry in Kenya on the quality of services offered by the Commercial Banks in Kenya.

3.3 The Population

The population of interest in this study will be the Tea Factories in Kenya

3.4 Sample and Sample Design

A sample of sixty tea factories was used for this study. According to Chava and Nachimias (2003) a representative sample should have at least 30 units. Further, as Kothari (1990) observed in a homogenous population size may not affect the results of the research if the sample was drawn in a proper manner. The tea industry in Kenya is dominated by smallholders operating under Kenya Tea Development Agency Limited Management (Source: Tea Board of Kenya). The sample members were chosen using convenience sampling because the tea factories seek similar services from the banks. Finance Managers from the tea factories were requested to fill a structured questionnaire.

3.5 Data Collection

Primary data was collected using structured questionnaires. The questionnaires were self administered through e-mails, drop-in-wait and collect later. The questionnaires were divided into three parts. Part A was used to collect general data of the respondents, part B

consists of attributes of customer expectations to be scored on five point Likert Scale. The information gathered was used to determine the users' expectation of the quality of service relating to each element of the service quality dimensions, Part C dealt with service quality attributes scored on a five point Likert Scale as experienced by the respondents with respect to the extent to which the commercial banks perform in services. The questionnaire used the Likert scaling which has been used successfully by other researchers in the area of perceptions of service quality Ngatia (2003) Maina (2006) Mwaura (2002) and Njoroge (2003).

3.6 Operationalizing the Service Quality Dimensions

The study adopted the operationalization method as used by Njoroge (2003) and Maina (2006). The service quality dimensions as set out by Parasuraman at al (1988) under the SERQUAL model were operationalized against the relevant factors in the tea industry in Kenya

Table 3.1 Operationalizing the Service Quality Dimensions

Broad generic dimension of quality	Expanded dimensions of quality	Definition of the Dimension	Relevant issues for the users of the Kenya Tea Industry
Reliability	Reliability	Ability to perform promised service dependably and accurately.	Was the information given accurate and dependable?
Responsiveness	Responsiveness	Willingness to help customers and provide prompt service.	Does your bank and staff handle complaints well? Does the personnel show willingness to sort out problems? Do they attend to complaints fast?
Assurance	Competence	Possession of the skills and knowledge required to perform services	Does the bank and the staff demonstrate Adequate skills in

			their work?
	Courtesy	Politeness Respect Consideration And Friendliness of contact personnel.	Are the staff courteous in their dealing with people? Are they willing to listen? How do they accept criticism?
	Credibility	Trustworthiness, Honesty of the service Personnel	Does the staff guarantee their work? Was the bank credible? Was the bank transparent?
	Security	Freedom from danger, risk or doubt	Are the bank premises safe?
Empathy	Access	Approachability and ease of contact	Are the members of bank management accessible?
	Communication	Listening to customers and keeping them informed in a language they understand.	Does the bank have an efficient feedback System ?
	Understanding	Making the effort to know their needs	Are the banks sensitive to the needs of the Customers?
Tangibles	Tangibles	Appearance of physical facilities equipment personnel and communication materials	Are the banks and their facilities adequate? Are they sufficiently staffed?

On the expected service, the importance of each service dimension was indicated on a five point Likert scale ranging from Strongly Agree to Strongly Disagree. For perceived service the respondents also indicated their experience on a five point Likert Scale ranging from strongly agree to strongly disagree.

3.7 Data Analysis

This study is descriptive in nature. Descriptive statistics were used to analyze the data. Part A of the questionnaire used frequency tables. The Likert scale in part B and C was used analyze mean scores for each service dimension. Each service quality dimension was assessed, rated and ranked in terms of its weighted importance in determining the expected service (Part B) and the perceived service (Part C).The objective of the study was achieved by analyzing and comparing the results of Part B and C of the questionnaires, the difference between the means of the two parts was taken to be the perceived service quality (Gap 5 of the SERVQUAL model).Using the Q=P-E framework, perceived service quality is the difference between the perception and expectation by the customers .

CHAPTER FOUR: DATA ANALYS AND INTERPRETATIONS

4.1: Introduction

This chapter analyses the tea industry expectations and perceptions of the quality of services offered by commercial banks in Kenya. It ends with the identification of the service gap (perceived service quality). The data collected from the respondents was analyzed to satisfy the objective of the study. The questionnaires were coded and edited after the respondents filled them in. A total of fifty five of the targeted sixty respondents filled in the questionnaire.

These questionnaires had twenty-two statements in both parts B and C which the respondents were required to indicate their expectations and experiences. The twenty-two statements were analyzed for the determination of five service quality dimensions in both parts. The statements in the questionnaires were divided as shown in table 4.1 below

Table 4.1.1: Questionnaire's contents

	Statement	Service Quality dimension
1	1-4	Tangibles
2	5-9	Reliability
3	10-13	Responsiveness
4	14-17	Assurance
5	18-22	Empathy

The overall response was ninety two percent which the researcher considered sufficient for data analysis. Other researchers in the area of perceived service quality have used ranges of between seventy and eighty five percent to successfully analyze the data. Such researchers include Maina (2000), seventy three percent and Ngatia (2006) eighty five percent.

Discussions and the findings of the study will be presented in this chapter. The analysis of data was guided by research objective stated in chapter one and the results are presented on the basis of the dimensional aspects investigated in the questionnaire. The

body of the report only contains tables directly related to the objective and the appendices contain other useful information. The data is summarized and presented in terms of means, frequency and proportions. The response rate was analyzed on the basis of gender, length of service, age and level of education

4.1.2: Response Rate by Gender

From the research it is evident that 78% of the respondents were male and 22% were females. That indicates that the majority of the tea industry finance managers are males as indicated in table 4.1.2 below.

Table 4.1.2: Response rate by gender

Gender	Frequency	%Response
Base	55	100%
Male	43	78%
Female	12	22%

Source: Research data

4.1.3: Level of education

Table 4.1.3 below shows that most of the respondents have attained one degree, 76% only 13% have a second degree while 11% have certificates as the highest level of education

Table 4.1.3: Level of education

level of education	Number	Percentage
Certificates	6	11%
One degree	42	76%
Two degrees	7	13%
Total	55	100%

Source: Research data

4.1.4: Response rate by length of service

From the data summarized in Table 4.1.4, most the respondents have worked in the tea industry for more than five years. 89% of the respondents have been in the tea industry for three years and above.

Table 4.1.4: Response rate by length of service

Number of years	Number	% Response
Base	55	100%
0-2 years	6	11%
3-5 years	15	27%
Over 5 years	34	62%

Source: Research data

4.1.5: Age Brackets of the Finance Managers

Out of the respondents interviewed 30% are under of 30years, 41 % between the age of 31-40 years, 24% fall under the age brackets of 41-45 and only 5% are above 50years. Table 4.1.5 below also show age bracket of forty five and fifty years did not get any respondent.

Table 4.1.5: Age Brackets of the Finance Managers

Age blankets (Years)	Number	Percentage	Cumulative %
Below 30	16	30%	30%
31-40	41	41%	71%
41-45	24	24%	95%
45-50	0	0%	95%
Above 50	5	5%	100%

Source: Research data

4.2 Expectations of tea Industry

From the data collected, the dimension of assurance has the highest mean, 4.25 followed by responsiveness and reliability with a mean of 4.14. Tangibles have the lowest mean of 3.26 as indicated in Table 4.2.1 below.

Table 4.2.1 Expectations of Tea Industry

	Service quality dimension	Me, Mean score	Relative proportion of importance
1	Assurance	4.25	21.41%
2	Responsiveness	4.14	20.89%
3	Reliability	4.14	20.89%
4	Empathy	4.04	20.39%
5	Tangibles	3.26	16.43%
	Total	19.83	100.00%
	Average mean, Me	3.97	

Source: Research data

4.3 Perception of tea Industry.

The measurements from the Likert scores are calculated on the basis of means. The mean scores measure the relative importance of each service quality dimension. From the data collected it appears that Assurance dimension has the highest mean, 3.56 followed by Reliability with a mean of 3.34. Tangibles have the lowest mean of 2.92. On relative importance Assurance rated highly followed by Reliability and Responsiveness. Empathy is rated fourth while Tangibles occupies the fifth position with 17.91 % as indicated in Table 4.2.2 below

Table 4.2.2: Perception of tea industry

	Service quality dimension	Me, Mean score	Relative proportion of importance
1	Assurance	3.56	21.86%
2	Reliability	3.34	20.48%
3	Responsiveness	3.31	20.30%
4	Empathy	3.17	19.43%
5	Tangibles	2.92	17.91%
	Total	16.30	100.00%
	Average mean ,Mr	3.26	

Source: Research data

4.4 Perceived Service Quality (The Service Gap)

The perceived service quality gap, Mr-Me was calculated by subtracting the average mean of perception of service from the corresponding mean of expected service. The overall mean of the expected service is 3.97 while that of perception is 3.26. This results to a service gap of -0.71. Empathy has the highest service gap, -0.87 followed by responsiveness, -0.83. Tangibles have the lowest service gap of -0.34 as indicated in Table 4.2.3 below.

Table 4.2.3: The Service Gap

	Service dimension	Perception of service	Expectation of service	Service gap
1	Assurance	3.56	4.25	-0.69
2	Responsiveness	3.31	4.14	-0.83
3	Reliability	3.34	4.14	-0.80
4	Empathy	3.17	4.04	-0.87
5	Tangibles	2.92	3.26	-0.34
	Average	3.26	3.97	-0.71

Source: Research data

CHAPTER FVE: SUMMERY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Commercial banks operate in a very competitive environment. The social and economic environment changes with time hence the need for the commercial banks to progressively develop strategies which would sufficiently respond effectively and timely to these changes. Several complaints leveled at the commercial banks are related to poor customer services. These complaints include slow responsive to customer queries, giving of wrong information and at times negligence by the bank employees. The objective of this study was to determine the perception of the tea industry on the quality of services offered by the commercial banks in Kenya. The service quality gap of -0.71 which indicates that commercial banks are not meeting the tea industry expectations while delivering their services.

5.2 Discussion

To satisfy the objective of the study, data was collected from Finance Managers of tea factories under Kenya Tea Development Agency management. A questionnaire was set based on the literature review and preliminary discussion with the respondents. A five point Likert scale was used. Of the fifty five financial managers who were interviewed, 22% were females and the rest 78% were males. Further 62 % of them have worked for the tea industry for periods of over five years, 27% between 3-5 years and only11 % have worked in the tea industry between 0-2 years.

In RATER's model, (Zethmal, 1990) the relative importance of service quality dimensions were ranked from the most important to the least important. The ranking was based on the weighted means as follows: Reliability, Responsiveness, Assurance, Empathy and tangibles. The tea industry expectation ranks the service quality dimensions from the most important to the least important as follows: Assurance, Responsiveness, Reliability, Empathy and Tangibles. There is slight difference from the findings in RATER'S model. The difference is also observed in relative proportions for all the service quality dimensions. There wre significant negative gaps in most the service quality dimensions indicating that the tea industry that the tea industry is not satisfied

with the service attributes. Assurance factors were rated highly compared with other factors while Tangibles were rated poorly. Customers do not pay a lot of attention on Tangibles hence the low rating in both expectations and perceptions.

5.3. Conclusions

Commercial banks offer crucial services and quality is paramount to all customers. Overall Assurance is the most important .The tea industry expects relatively high level of service quality and is in agreement with the various service quality dimensions. Assurance of services appear to be more important than other service quality dimensions with tea industry expectation mean of 4.25.Reliability and Responsive factors were rated at position two while Empathy was ranked fourth and Tangibles came a distant fifth. On service gaps, Empathy has the highest gap. Reliability and responsiveness had almost equal service gaps which mean that they can be addressed together or are they are related. The means for perception range from 3.56 to 2.92 for Assurance and Tangibles respectively which shows a general agreement on the level of expected service. On the expected service, the mean score for the service quality dimensions ranges from 4.25 to 3.26 with an overall mean of 3.97.The service quality gap is -0.71 which is substantial. It is therefore clear that service quality in commercial banks in Kenya is below the tea industry's expectation. That is more severe on Empathy which means the service delivery is below expectation because the bank staff does not take time to understand the customer's need. Commercial Banks need to take measures to bridge the gaps in all service quality dimensions.

5.4 Recommendation for Further Research

The objective of the research was to determine the perception of the tea industry players on the quality of services offered by Commercial Banks in Kenya. To get a more objective conclusion, further study should be done on the tea industries players outside Kenya Tea Development Agency Ltd. Studies should also be done using other service quality dimensions other than the ones under SERQUAL model.There is need for gap analysis which would take this further and help to identify the causes of service quality shortfalls in each or all of the dimensions and more so empathy and responsiveness

whose service gaps are quite large. It is also important to find out if the determinants of the perceived quality are related or if they can be addressed individually.

5.5 Limitation for the Study

More resources should be allocated to the study so that more Finance mangers would be reached at their working stations instead of using e-mails .Further the study was based on SERQUAL model and did not consider other service quality determinants developed by other researchers.

5.6 Recommendations for Policy and Practice

All organizations whatever their nature operates in turbulent environments and has to constantly adapt to the changes in order to achieve their strategic objectives. Service quality is one of the major strategies adopted by service industries because their success is determined by the quality of service they deliver. Commercial Banks in Kenya offer services in a competitive environment and they should develop service quality improvement strategies which involve the study of the perceptions of its key stakeholders especially the tea industry players. Resources should be allocated appropriately in order to address immediate concern in the service gaps. The banks should particularly address the gaps in empathy and responsiveness.

APPENDICES

Appendix 1: Letter of Introduction

Charles Gatere Njura
University of Nairobi
P O B OX 30197 NAIROBI
May 2010

Dear Sir/Madam

REF: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK

I am a postgraduate student at the University of Nairobi, School of Business pursuing a Master of Business Administration, Degree Programme.

In order to fulfill the degree requirements I am conducting a management research project on Customer Perception of Services Offered by Commercial Banks in Kenya –A Case Study of Tea Industry.

The purpose of this letter is to request your assistance in filling the attached questionnaire as truthfully as you can .The information you give will be treated in confidence and is needed purely for academic purposes.

A copy of final report will be made to you on request.

Your assistance and co operation will be highly appreciated

Yours sincerely

Charles Gatere Njura

Appendix 2: Questionnaire

Please respond to the questions in parts A, B and C to the best of your ability as per the instructions in each part.

PART A

General Information

Name----------optional

1.1 GENDER

Male----------( )

Female ----------( )

1.3 AGE GROUP

Below 30 years ----------( )

31-40 ----------( )

41-45----------( )

45-50 ----------( )

Above 50 years---------- -( )

1.4 Type of account held by your organization

Current----------( )

Savings---------- ( )

Fixed deposit----------( )

Other specify----------( )

1.5 Period of service in the organization

0-2 years ---------- ( )

3-5 years----------( )

Over 5 years----------( )

1.6 Level of education

Certificate/Diploma ---------- ( )

1st degree ---------- ( )

2nd Degree ---------- ( )

Part B: Expectations

Based on your experiences as a customer in a bank, please think about the kind of Bank that would deliver excellent quality of service.

Kindly indicate on scale 1 to 5 (where 5=strongly agree, 4=agree, 3=moderately agree, 2=disagree, 1=strongly disagree) below the extent to which you consider the following attributes as important to you in evaluation of services offered by commercial banks in Kenya.

		5	4	3	2	1
1	Excellent banks have modern looking equipment					
2	The physical facilities at excellent bank will be visually appealing					
3	Personnel at excellent bank will be neat in appearance					
4	Materials associated with the service (such as pamphlets or statements) will be visually appealing in an excellent bank.					
5	When excellent banks promise to do something by a certain time they will do so.					
6	When a customer has a problem, excellent bank will show a sincere interest in solving it.					
7	Excellent banks will get things right the first time.					
8	Excellent banks will provide their services at the time they promise to do so.					
9	Excellent banks will insist on error free records.					
10	Personnel in excellent banks will tell customers exactly when services will be performed.					
11	Personnel in excellent banks will give prompt service to customers					
12	Personnel in excellent banks will always be willing to help					
13	Personnel in excellent banks will never be too busy to respond to customer's requests.					
14	The behavior of personnel in excellent banks will instill confidence in customers.					
15	Customers of excellent banks will feel safe in their dealings with the bank.					

16	Personnel in excellent banks will be consistently courteous with customers.					
17	Personnel in excellent banks will have the knowledge to answer customer's questions.					
18	Excellent banks will give customers attention					
19	Excellent banks will have operating hours convenient to all their customers.					
20	Excellent banks will have staff who give customers personal attention.					
21	Excellent banks will have the customers' best interests at heart.					
22	The personnel of excellent banks will understand the specific needs of their customers.					

Part C: Perception/Experience

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, kindly indicate on scale 1 to 5 (where 5=strongly agree, 4=agree, 3=moderately agree, 2=disagree, 1=strongly disagree) the extent to which you agree or disagree that the bank you have attended has this feature.

		5	4	3	2	1
1	The bank has modern looking equipment					
2	The physical facilities in the bank are visually appealing					
3	Personnel in the bank are neat in appearance					
4	Materials associated with the service (such as pamphlets or statements) are visually appealing.					
5	When the bank promises to do something by a certain time it does so.					
6	When you have a problem the bank shows a sincere interest in solving it.					
7	The bank gets things right the first time.					
8	The bank provides its services at the time it promises to do so					
9	The bank insists on error-free records.					
10	The personnel in the bank tell you exactly when services will be performed.					
11	Personnel in the bank give you prompt service					
12	Personnel in the bank are always willing to help you.					
13	Personnel in the bank are never be too busy to respond to your requests					
14	The behavior of personnel in the bank instills confidence in you					
15	You feel safe in your dealings with the bank					
16	Personnel in the bank are consistently courteous with you.					
17	Personnel in the bank have the knowledge to answer your questions.					
18	The bank gives you individual attention					
19	The bank has operating hours convenient to all its customers					

20	The bank has personnel who give you personal attention.					
21	The bank has your best interests at heart					
22	The personnel of the bank understand your specific needs					

Thank you for the time you have spent in completing this questionnaire.

Appendix 3: KTDA Ltd Managed Tea Factories

		KTDA MANAGED TEA FACTORIES	
	FACTORY	**BANK**	**BRANCH**
1	CHEBUT	KENYA OMMERCIAL BANK	KAPSABET
2	CHINGA	EQUITY BANK	OTHAYA
3	EBEREGE	KENYA OMMERCIAL BANK	KISII
4	GACHARAGE	FAMILY BANK	KANGARI
5	GACHEGE	EQUITY BANK	THIKA
6	GATHUTHI	STANDARD CHARTERED BANK	NYERI
7	GATUNGURU	EQUITY BANK	KANGEMA
8	GIANCHORE	KENYA OMMERCIAL BANK	NYAMIRA
9	GITHAMBO	EQUITY BANK	MURARANDIA
10	GITHONGO	STANDARD CHARTERED BANK	MERU
11	GITUGI	FAMILY BANK	OTHAYA
12	IGEMBE	CO-OPERATIVE BANK OF KENYA	MAU
13	IKUMBI	EQUITY BANK	KANGARI
14	IMENTI	EQUITY BANK	NKUBU
15	IRIAINI	EQUITY BANK	OTHAYA
16	KAGWE	EQUITY BANK	GITHUNGURI
17	KAMBAA	FAMILY BANK	GITHUNGURI
18	KANGAITA	CO-OPERATIVE BANK OF KENYA	KERUGOYA
19	KANYENYAINI	EQUITY BANK	KANGEMA
20	KAPKATET	KENYA OMMERCIAL BANK	SOTIK
21	KAPKOROS	KENYA OMMERCIAL BANK	BOMET
22	KAPSARA	KENYA OMMERCIAL BANK	KITALE
23	KAPSET	BARCLAYS BANK OF KENYA	KERICHO
24	KATHANGARIRI	CO-OPERATIVE BANK OF KENYA	EMBU
25	KEBIRIGO	KENYA OMMERCIAL BANK	NYAMILA
26	KIAMOKAMA	KENYA OMMERCIAL BANK	KISII
27	KIEGOI	CO-OPERATIVE BANK OF KENYA	MERU
28	KIMUNYE	CO-OPERATIVE BANK OF KENYA	KERUGOYA
29	KINORO	STANDARD CHARTERED BANK	MERU
30	KIONYO	EQUITY BANK	NKUBU
31	KIRU	EQUITY BANK	KIRIAINI
32	LITEIN	KENYA OMMERCIAL BANK	SOTIK
33	MAKOMBOKI	FAMILY BANK	KANGARI
34	MATAARA	FAMILY BANK	THIKA
35	MICHIMIKURU	KENYA OMMERCIAL BANK	MERU
36	MOGOGOSIEK	KENYA OMMERCIAL BANK	SOTIK
37	MOMUL	CO-OPERATIVE BANK OF KENYA	KERICHO
38	MUDETE	KENYA OMMERCIAL BANK	MBALE
39	MUNGANIA	CO-OPERATIVE BANK OF KENYA	EMBU
40	MUNUNGA	EQUITY BANK	KERUGOYA
41	NDIMA	KENYA OMMERCIAL BANK	KARATINA
42	NDUTI	FAMILY BANK	KANGARI
43	NGERE	EQUITY BANK	THIKA
44	NJUNU	EQUITY BANK	THIKA
45	NYAMACHE	KENYA OMMERCIAL BANK	KISII

46	NYANKOBA	KENYA OMMERCIAL BANK	KISII
47	NYANSIONGO	KENYA OMMERCIAL BANK	KISII
48	OGEMBO	KENYA OMMERCIAL BANK	KISII
49	RAGATI	KENYA OMMERCIAL BANK	KARATINA
50	KAPSET-ROROK	CO-OPERATIVE BANK OF KENYA	KERICHO
51	RUKURIRI	FAMILY BANK	EMBU
52	SANGANYI	KENYA OMMERCIAL BANK	NYAMIRA
53	TEGAT	KENYA OMMERCIAL BANK	KERICHO
54	THETA	FAMILY BANK	THIKA
55	THUMAITA	KENYA OMMERCIAL BANK	KERUGOYA
56	TIRGAGA	KENYA OMMERCIAL BANK	BOMET
57	TOMBE	KENYA OMMERCIAL BANK	KISII
58	KOBEL	KENYA OMMERCIAL BANK	BOMET
59	TOROR	CO-OPERATIVE BANK OF KENYA	KERICHO
60	WERU	EQUITY BANK	CHUKA

Appendix 4: Formulae for the Variables

1. Measures of Customers Expected Services

Fe denotes frequencies of scores obtained from the Likert Scale
Xe denotes the actual scores on the Likert Scale continue (i.e. 1 5)

$$\text{Mean, } Me = \frac{\sum(FeXe)}{(\sum Fe)}$$

2. Measures of customers perceived service

Fr denotes frequencies of scores obtained from the Likert Scale
Xr denotes the actual scores in Likert Scale continuum (i.e. 1- 5)

$$\text{Mean, } Mr = \frac{\sum(FrXr)}{\sum(Fr)}$$

3. Service quality gap=Mr-Me.

Appendix 5: References

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