

**SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE  
BANKING SECTOR IN NIGERIA**

**SUBMITTED BY:**

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## CERTIFICATION

The project titled “Service Quality and Customers Satisfaction in the Banking Sector in Nigeria” attain the requirement governing the award of Masters in Business Administration of the school of Postgraduate Studies of Nasarawa State University, Keffi for its contribution to knowledge and literally presentation.

Signature.....  
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.....  
**Date**

Signature.....  
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*Head of Department*

.....  
**Date**

## **DEDICATION**

This research work is dedicated to my love, endurance and encouraging mother Hajiya Hafsai Bomai (Yaya) for her untirelessly prayers, motherly advice and encouragement throughout the period of my study. May Almighty Allah bless her abundantly, Ameen.

And to my lovely father Alhaji Mohammed Bomai who is unable to witness the success of his lovely daughter, May Allah subhana wata'ala grant him with Aljanat Firdaus, Ameen

## **ACKNOWLEDGEMENT**

All praise and thanks is due to Allah (SWT) the most gracious, most merciful, most kind, most wide and the most high for sparing my life from its initial state to the time of its success and for many years ahead.

My sincere thanks and appreciation goes to my supervisor Dr. M.A Mawoli without whom this project work would not have been brought to completion, his understanding and objective criticism made a tremendous impact to the final analysis and presentation of this work, may God Almighty Allah bless him and his family abundantly, Ameen.

I also acknowledge the effort of my lecturers of the Department of Business Administration, Nasarawa State University, Keffi, may Almighty showered his blessings on them, Ameen.

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## **ABSTRACT**

As the service industry becomes increasingly competitive, firms continuously look for ways to distinguish themselves from competitors. Service quality has attracted major attention from academic researches as well as marketers over the recent years due to its significant role in business performance and maintenance of customer loyalty. Recent growth in the service sector, banking included, has necessitated the need for service providers to understand customers' view of quality of service offered. Only then can they effectively optimize their returns from the service and stay ahead of competitors. This study sought to answer the following question; what are the customers' views, thoughts and feeling on the quality of service offered by commercial Banks in Nigeria? The study identified the possible expectations that customers have on the quality of service. The study adopted descriptive design with population of interest being customers of commercial banks in Abuja. Questionnaires were administered to customers from a total of 21 commercial banks located within Abuja. The findings from the study established a positive relationship between service quality and customer satisfaction in Nigerian banks. The conclusion from this study is that Customer satisfaction can lead to higher rates of retention of the Nigerian bank customers. Recommendations based on the findings were made to the Nigerian banks which if implemented will enhance the satisfaction of the bank customers as well as improve customer retention rates.

## **CHAPTER ONE:**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Recent years have shown a growing interest in customer satisfaction. The globalization of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product price and qualities. Instead, companies build their success on a long-term customer relationship. According to former studies, it can cost as much as six times more to win a new customer than it does to keep an existing one. Depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration by 5%. Hence, the increase and retention of loyal customers has become a key factor for long-term success of the companies.

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis (Lee 2004). Therefore service-based companies like the banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of trade liberalization and globalization. High patronage of services depends on the satisfaction customers derived from a service. Sales are directly related to customer satisfaction; sales increase requires improvement in the quality of service delivery to encourage continuous patronage.

Operations management is an area of business concerned with the production of goods and services, and involves the ensuring that business operations are efficient in terms of using as little

resource as needed, and effective in terms of meeting customer requirements. It is concerned with managing the process that converts inputs (in the forms of materials, labour and energy) into outputs (in the form of goods and services). In general, Operations Management aims to increase the content of value-added activities in any given process. It is important that these value-adding creative activities should be aligned with market opportunity for optimal enterprise performance. Operations traditionally refer to the production of goods and services separately, although the distinction between these two main types of operations is increasingly difficult to make as manufacturers tend to merge product and service offerings.

## **1.2 Statement of Research Problem**

Satisfaction is a function of perceived performance and expectation. The term ‘customer satisfaction’ is subjective and non-qualitative term. It results from the quality of banking services product (technical quality), quality of service delivery, engagement of the customers (functional quality) price factors and exceeding customer’s expectations. Expectation influences customer satisfaction through market communication, image, word of mouth and customer needs.

Customers are now becoming increasingly conscious of their rights and are demanding ever more than before (Abiodun, 2013). The changing needs of customers affect the expectation of value added servicing for basic banking requirements. This is made possible only in the post liberalization era through “customer centric” services (Mohammad and Alhamadani, 2011). Besides, retaining unsatisfied customer is elusive as customers can easily switch from one service provider to the next at low cost.

Studies have been done that assess the determinants of customer satisfaction. Nigerian studies such as Bashir, Okoli and Ifeanyi (2012) looked at the effect of service quality on customer satisfaction in MFIs. Bashir (2012) focused on the effect of service quality on customer

satisfaction in Lake Abuja. Mbuthia, Muhammed (2013) focused on the hotel service quality, perceptions and satisfaction among domestic guests. Globally studies have been done on: customer satisfaction in the restaurant industry (Andaleeb and Conway, 2006); the influence of institutional service on customer satisfaction, return intention, and word-of-mouth (Kim, Ng and Ki, 2009); and, service quality perspectives and customer satisfaction.

None of these studies have evaluated customer satisfaction in the context of banking. Thus this study seeks to investigate service quality as a determinant of customer satisfaction in banking.

The study will, thus, answer the following questions: How can customer satisfaction be achieved in the environmental heterogeneity of customer satisfaction? What is the level of customer satisfaction in banking sector in Nigeria from the customer's perspective? What are the determinants of customer satisfaction in banking industry?

### **1.3 Research Objectives**

The research objectives are:

- i. Determine the customer perceived service quality in the banking sector;
- ii. Determine customer satisfaction level in the banking sector;
- iii. Determine the relationship between service quality and customer satisfaction;

### **1.4 Research Questions**

The study was guided by the following research questions:

- i. What are the respondents' profile in terms of gender, banks and banking experience?
- ii. What is the level of service quality in Nigeria Banking Sector?
- iii. What is the level of customer satisfaction in Nigerian Banking Sector?
- iv. What is the relationship between service quality and customer satisfaction in Nigerian Banking Sector?

### **1.5 Research Hypothesis**

The relevant research hypothesis is that:

Ho: There is no significant relationship between service quality and customer satisfaction in Nigeria.

### **1.6 Significance of the Study**

The research information will provide vital data to the policymakers and regulators of commercial banks such as Central Bank of Nigeria (CBN) and Nigeria Bankers Association (NBA) to design new strategies and policies for enhanced services in the banking sector.

The findings of will help management of commercial banks understand how several dimensions of their services/products affects customers' satisfaction, hence customer retention. Study will provide deeper insights into what is needed in order for bank to enhance customers' satisfaction and, thus, allow for improvement in bank strategies to attract and retain their customers. This study will be important for researchers and academicians being that there are limited studies on determinants of customer satisfaction in the banking sector in Nigeria. The outcome of this study will be invaluable empirical study and also act as local reference on for future research.

### **1.7 Scope of the Study**

The study chose the Abuja Metropolis as the research area due to the fact that it has better banking facilities and competition between the banks seems to be very fierce in the area as compared with other parts of the country. Besides, the Abuja Metropolis contains a heterogeneous population of bank customers with diverse socio-economic background and therefore considered a representative sample of the population of Nigerian Commercial bank.

**Geographically:** The study was conducted in twenty-one (21) commercial banks in Abuja, Nigeria and it basically employed Commercial Banks customers.

**Theoretical scope:** The study was guided by the Service Quality model, which looks at service quality being determined by the differences between customers' expectations of the service provider's performance and their evaluation of the services they received.

**Time scope:** The study on service quality and customer satisfaction was conducted between January 2018–July 2018 and it covered a historical period that ranges from 2018 up to date.

**Content scope:** The study specifically looked at the respondents' profile, the level of service quality, the level of customer satisfaction, the relationship between service quality and customer satisfaction, and recommended strategies to enhance customer satisfaction in Commercial Banks.

## **1.8 Definition of Terms**

**Customer Satisfaction:** Customer satisfaction is dependent on the price. Besides costs, the quality of goods and services also create the satisfaction (Jamal & Naser, 2002). According to Crosby (1979) goods and services satisfy the customer and also reduce the failure cost.

**Service Quality:** Service quality is “multi-dimensional concept” but there exists a disagreement to the possible conceptualization in addition to operationalization (Pantouvakis & Bouranta, 2013). The interactive feature is that it is “related to the nature of interactions between the service firms and its customer and the process by which the core service is delivered” (Bell et al., 2005).

## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is concerned with the review of pertinent literature. It covers both theoretical and empirical literature. It is structured into: service quality as a concept, gap model, external communication, customer satisfaction measures, and summary and conceptual framework.

#### **2.2 Concept of Service Quality**

Grönross (1984) stated that quality is judged on the individual's perception of the service. According to Grönroos, in order to increase long term quality, the customer expectations should be focused, revealed, and calibrated. When customers evaluate service, they compare their expectations with what they think they received from the other service providers and if the expectations are met or even exceeded customers believe that the service have high quality.

Customer expectations vary depending on what kind of business the service is connected to. Expectations also vary depending on different positioning strategies of different service providers. Grönroos (1984) proposed evaluation of perceived service quality along technical and functional dimensions. Technical quality is referred to the content of service provided to customer. Functional quality is referred to methods of service execution: treatments reserved to customers by staff, behaviours of the staff and so on; that is, how the service is provided. Grönroos confirmed that quality must be intended as the difference between customer's expectations and the perceived performance. The customer compares his expectations with his

experience of the service, perceived through the filter of the company's image. That is, the customer evaluation of service quality is based on a comparison, or confirmation rather than disconfirmation, with respect to some comparative term already held in mind by the customer at the pre-service stage.

Amy and Amrik (2003) reinforced Grönroos' view that customers compare the expected service quality with what they actually receive; that is service quality expectation and perception. Amy and Amrik postulate service quality as dependent on two variables: perceived services customer actually receives from organization and expected services from the customer's previous experience or overall perception of the service. When expected service is higher than perceived service, service is said to be of low quality and when service expected is less than perceived service, overall service quality is considered to be high. Customer expectations vary depending on what kind of burden the service is connected to. Expectations also vary depending on different positioning strategies of different service providers. Amy and Amrik (2003) posit that the expectations are influenced by previous experiences of the service provider, competing services in the same industry or related services in different industries. If the customer don't have any previous experience they are more likely to base their expectations on word of mouth, news stories or the marketing efforts of the company.

Unlike Amy and Amrik (2003) and Grönroos (1984), Ekinici and Sirakaya (2004) looked at service quality from the perception of angle. Charles thus, defined service quality in four perspectives: excellence, value, conformance to specifications and meeting and/or exceeding expectations. Excellence looks at a service performing its intended purpose. Excellence is extenally defined and as such attributes associated with it changes dramatically and rapidly. Value is the benefit that customer get from using a service. Process and design variation

are seen to be a constant thread to achieving conformance to requirements and most technical advances in quality are due to standardization and mass production. However, while standardization or conformance to specifications benefit the customers thorough reduced prevalence to quality defects, employees are reduced to mere extensions of the machinery. Meeting and exceeding expectations is a dynamic perspective as expectations change and may be shaped by experiences with other service providers.

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev and Verma (2004) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck et al. (2002) admit that the SERVQUAL model remains as the most complete attempt to conceptualize and measure service quality. Amore in depth justification of the functional quality is reported by Parasuraman 1985 and 1988. The SERVQUAL model by Parasuranam suggested five dimensions: tangibles, reliability, responsiveness, assurance and empathy are the basis for service quality measurement (Parasuramanet al., 1988; Zeithamlet al., 1990).

The tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider (Fitzsimmons & Fitzsimmons, 2001). Davis et al. (2003) summarize tangibles as the physical evidence of the service.

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality.

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the server has the customer's best interest at heart (Fitzsimmons & Fitzsimmons, 2001).

According to Chase et al. (2001), empathy is the provision of caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approachability, sensitivity, and effort to understand the customer's needs. Johnston (1997) describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

### **2.3 Concept of Customer Satisfaction**

This section introduces the discrepancies between expectation and perception. Oliver (1997) mentions that customer satisfaction is a judgement that a product or service feature, or the product or service itself, provides pleasurable consumption related fulfilment. Satisfaction is not evaluative state but a process extending across the entire consumption horizon. According to customer satisfaction paradigm, confirmed expectations lead to moderate satisfaction, positively disconfirmed (exceeded standards lead to high satisfaction) and negatively disconfirmed, that is, underachieved standards lead to dissatisfaction.

Oliver (1980) discusses that satisfaction can be understood as the discrepancy between expectations and perceptions. That is, customer's perception that compare their pre-purchase expectations with postpurchase perception. Oliver (1997) identifies five different types of satisfaction which are pleasure, relief, novelty and surprise. The extent of satisfaction or strength of the pleasure felt depends on: preferences (ability of offer to meet customer's needs), price (perceived overall value of the offer) and performance (difference between expected benefits and actual benefits received).

Gibson (2005) divided customer satisfaction into four categories: a cognitive concept to be rewarded for the consumers through payment; evaluation on the accord of prior expectation with alternatives of the selection; affective response after purchase; and, judgments influenced by both emotional responses and cognitive disconfirmation. Oliver (1997) suggests that disconfirmation of expectations is present when the satisfaction mode is pleasure, relief or surprise. That is, performance of a product or service meets the expectations of the purchaser. Gibson (2005) viewed satisfaction as an antecedent of attitudinal brand loyalty, with increases in

satisfaction leading to increases in attitudinal brand loyalty. Gibson found satisfied customers become repeat purchasers of a product or service and provide positive word of mouth.

From the customer's point of view, service quality is the difference between what they expect and what they perceive to be receiving from the service provider. This difference creates gaps between expectation and the actual service received. Five gaps have been identified. Gap 1 is between customer expectations and management's perception of these expectations. Gap 2 is the difference between management's perception of customer expectations and the translation of those perceptions into service quality specifications. Gap 3 is the difference between the service quality specifications and the delivery of those specifications to the customer. Gap 4 is the difference between the service delivered to customers and the external communications about the service. Gap 5 is the difference between customers' perceptions of an actual service experience and the customers' expectations of an ideal service (Parasuraman, Zeithaml and Berry, 1985).

Although all five gaps may hinder an organization in providing high quality service, the fifth gap is the basis of a customer-oriented definition of service quality that examines the discrepancy between customers' expectations for excellence and their perceptions of the actual service delivered. Gaps model recognizes that expectations are subjective and are neither static nor predictable. When the perceptions are greater than expectations, then perceived quality is very good; when they are equal, perceived quality is good; but if expectations exceed perceptions, the perceived quality is less than satisfactory. Thus, judgements of high and low service quality depend on how customers perceive the actual service performance in the context of what customers expect (Sadeghi and Bemani, 2011).

## **2.4 Review of Empirical Literature on the Relationship between Service Quality and Customers Satisfaction**

During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980).

In marketing theory, the consumer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of consumers' demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause customer of satisfaction (Cronin and Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The Increased level of customer satisfaction , decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997).In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction [Anderson et al., 1997]. A great similarity between the customer satisfaction and service quality is observed, however researchers are careful to say that these two are different concepts (Spreng and Singh, 1993; Oliva, Oliver, and MacMillan, 1992).

In academics both constructs are recognised as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However, there are number of variations found in literature between service quality and customer satisfaction. Cronin and Taylor, 1994; Boulton and Drew 1991 stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992) it is important to have this distinction between the two concepts for managers and academics, as there is a greater need to understand either the

firm's objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behaviour. Also, customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards ( Spreng & Mackoy, 1996). Also, the quality of service as perceived by the customers is considered as an important factor that affects the level of satisfaction. Due to its relative importance in the service context it became a wide debatable topic and focus of research for academics.

Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Zeithaml et al., 1993; Parasuraman et al., 1988) Different authors stated that the standard of comparison to form satisfaction depends on customer's feelings regarding what will come out ( predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance ( Spreng & Mackoy, 1996) .

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyse the relationship between the two to understand either these are two different concepts or are similar. For this purpose, customer satisfaction with service quality models (McDougall & Levesque, 2000; Spreng & Mackoy,1996) are discussed in the following pages (p21-23) and based on these models a SQCS models is developed to explain the relationship between the both constructs.

## **Service Quality**

Crosby (1979) defined quality as conformance to requirements. According to Lewis and Booms (1983), giving quality service implies meeting the requirements to customer expectations regularly. Parasuraman *et al* (1985) defined service quality as the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their

future purchasing behaviour. From customer point of view, quality means fitness for use and meeting customer satisfaction. Service quality is important aspect that affects the competitiveness of business. Banks should increase the quality of service constantly since there is no assurance that the current outstanding service is also suitable for future. Consequently, banks should “develop new strategy” to satisfy their customer and should provide quality service to distinguish themselves from rivalries (Sadiq; 2011).

Quality evaluations derive from the service process as well as the service outcome. As stated by (Gronroos, 1982) there are two types of service quality these are technical quality and functional

quality. Technical quality is - what the customer is actually receiving from the service (outcome) while functional quality is the manner in which the service is delivered (process). Models have been developed to measure service quality and they include: Nordic model (Gronroos 1984), SERVQUAL model (Parasuraman et al 1985), Multilevel model (Dabholkar et al 1996) and Hierarchical model (Brady and Cronin (2001).

According to Markovic and Jankovic (2013), service quality is measured using SERVQUAL instrument which consists of 22 items which measure five service quality dimensions, namely, tangibles (physical facilities, equipment, and appearance of employees), 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), and empathy (caring and individualized attention the firm provides its customers).

### **Customer Satisfaction**

Customer satisfaction is a psychological concept that involves the feeling of wellbeing and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service (Kotler and Keller, 2006). Lovelock (2004) conceptualizes customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from

comparing the perceived performance or outcome in relation to the expectation. According to Lovelock and Wirtz (2007), customer satisfaction is a consumer's post-purchase evaluation and affective response to the overall product or service experience.

Satisfaction can be determined by subjective (e.g. customer needs, emotions) and objective factors (e.g. product and service features). Customer satisfaction is perceived as a cumulative and

transactional. On the one hand from a transactional-specific perspective, customer satisfaction is based on a one time, specific post-purchase evaluative judgment of a service encounter (Wang and Lo, 2002). On the other hand, in the cumulative customer satisfaction perspective, it is conceptualized as an overall customer evaluation of a product or service based on purchase and consumption experiences over a time period (Lovelock and Wirtz, 2007). Lovelock and Wirtz argue that since cumulative satisfaction is based on a series of purchase and consumption experiences, it is more useful and reliable as a diagnostic and predictive tool than the transaction perspective that is based on a one-time purchase and consumption experience.

Expectation influences customer satisfaction through market communication, image, word of mouth and customer needs. Customer satisfaction is an important element that drives customer retention, loyalty and post-purchase behavior of customers (Kotler and Keller, 2006).

### **Service Quality and Customer Satisfaction**

Service quality and customer satisfaction are distinct concepts, although they are closely related. Quality is a form of overall evaluation of a product, similar in many ways to attitude. Quality acts as a relatively global value judgment. Perceived quality is the consumer's judgment about an entity's overall excellence or superiority. It is a form of attitude, related but not equivalent to satisfaction, and results from comparison of expectations with perceptions of performance. According to Oliver (1981), satisfaction is a summary

psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Therefore, satisfaction relate to a specific transaction. Comparative studies revealed that regardless of the type of service, customers used basically the same general criteria in arriving at an evaluative judgment about service quality.

Service companies have since recently focused on customers in order to improve competitiveness. Measurement of customer satisfaction regarding the service quality of firms is a necessary means by which organizations delve into the minds of its customers for useful feedback that could form the basis for effective marketing strategy. Customer satisfaction is one of the important outcomes of marketing activity (Mick and Fournier; 1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Good customer satisfaction has an effect on the profitability of nearly every business. Anderson and Zemke (1998) stated that satisfied customers improve business and dissatisfied customers impair business.

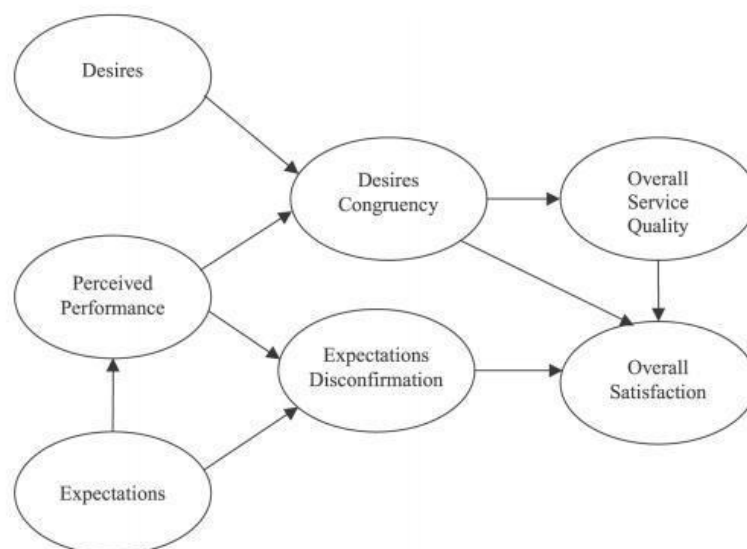
Jun and Cai (2001) identified 17 service quality dimensions of banking service that enhances customer satisfaction: reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and divers features. As Singh (2004) observes, banks enjoy business benefits that accrue from customer satisfaction such as generation of additional revenue, marketing penetration and cost saving.

### **2.5.1 Customer Satisfaction with Service Quality Models**

Oliver has developed a model in 1993 to explain the relationship between service quality and customer satisfaction. He states that service quality is developed by comparing performance perceptions and ideals related to dimensions of quality, satisfaction Contradicts with expectations that are predictive regarding both non-quality dimensions and quality dimensions. Also perceived service quality originate from satisfaction and disconfirmation

(negation) of desires are not related to satisfaction, except through the perceptions of service quality. Oliver's model also specifies that expectations do not affect the perceptions of performance. Oliver's model is later tested by Spreng and Mackoy (1996).

#### Customer Satisfaction with Service Quality Model

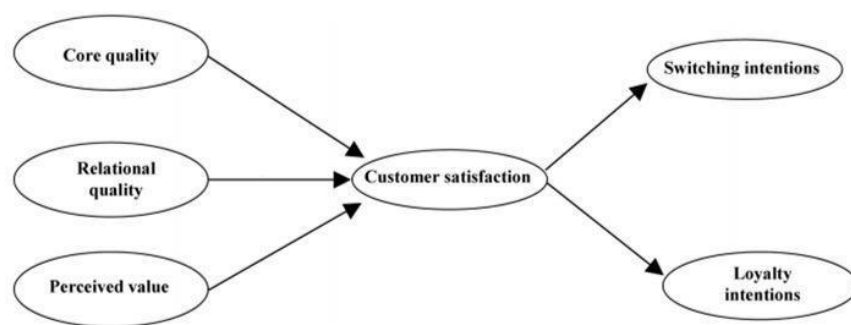


Source: Spreng and Mackoy (1996)

Figure 1 presents Spreng and Mackoy research based on Oliver's Satisfaction Quality Model. In their research they stated that, satisfaction and service quality are both distinct constructs. Also, expectations are negatively related to satisfaction, but through perceived performance, expectations are positively related to service quality perceived and satisfaction. So, managers should always try to decrease the level of expectations in order to provide services that are "better than expected" which will result in higher level of satisfaction (Davidow and Uttal, 1989; Peters, 1987).

Furthermore, their Research states that managers should balance the negative and positive aspects of satisfaction because if firms lower the level of expectations, the customer's perceptions of performance will also go down and that will decrease the level of satisfaction as well. It shows that lowering the Expectations will also make the satisfaction down. If we talk about desires, Spreng and Maackoy (1996) research shows that desires are compatible (congruency) with satisfaction as desires comes prior to satisfaction. Desires are more straightforward determinant, as a key feature of both service quality and customer satisfaction is to fulfil the desires of customers.

#### **McDougall & Levesque (2000) Customer Satisfaction with Service Quality Model**



**Source :McDougall & Levesque (2000-p393)**

Figure above presents another model presented by Mcdougall and Levesque . It describes customer satisfaction in service settings. The main contribution of this model is the inclusion of perceived value and its importance together with service quality and their effect on satisfaction that leads to future intensions.

This model states that perceived service quality and value influence customer satisfaction which in turn affect the future intensions. Where perceived service quality consist of two dimensions as described earlier, Core, the basic service ( as promised) and relational ( the way service is delivered). In addition to service quality dimensions Tangibles, Empathy, Responsiveness, Reliability and Assurance that customers use to judge or evaluate overall services (Parasuraman et al, 1985) the core and relational quality leads to overall customer satisfaction or service quality (Zeithaml et al., 1996).

Perceived value is defined as “benefits received relative to cost”. Customers who think that they got something worth spending are better satisfied as compare to those customers who think that did not get something worth spending (money) (Zeithaml et al., 1988).

Customer retention/loyalty that results in repeated transactions is the main goal of service providers as their profit and revenues are linked with it, increased in customer retention and level of satisfaction generate positive word of mouth, more revenues and reduce the marketing cost for the company's Reichheld (1996) and Heskett et al. (1997). So it can be said that the overall assessment of service provider is viewed in terms of customer satisfaction and future intentions and the customer interests of returning back to the same service provider.

Findings of this research model show that characteristics or nature of service affects the drivers of customer's intentions and level of satisfaction. So, there is a need to develop better understanding about the relative importance of drivers of satisfaction in the service context and how the service characteristics will affect these drivers. However, these drivers cannot be generalized when considering a specific service. By determining the influence of such drivers, service providers can focus more on the ways of improving those drivers that can improve the customer satisfaction which ultimately leads to improved sales.

### **2.5.2 Service quality and Customer Satisfaction (SQCS) Model**

It is clear from both models presented above that quality of service is an important factor together with other elements (performance, expected & perceived service) affects the level of customer satisfaction. It also influences the customer decisions regarding repurchase intentions or switching intentions towards the specific service provider.

So a proposed model is developed by considering Spreng and Mackoy (1996), McDougall & Levesque (2000) as well as Parasuraman et al., (1985), models to explain the relationship between service quality and customer satisfaction that ultimately affect the repurchase intentions and results in more revenue for the service firms.

## **2.6 How service quality can be improved in Banking Sector?**

Providing excellent services require continuous improvements in the organisational culture, a culture in which people are challenged to give their best and are rewarded and recognised in the company to perform to their full potential.

### **2.6.1 Developing Service Improvement Strategy in the organization**

A firm can improve the quality of its services by developing the service improvement strategy in the organization which requires several steps and measures to trigger improvements in the internal environment. Leonard, Parasuraman et al.,(1994) has explained some steps for managers through which company can improve the service quality. In the following pages (p24-p26) some of the steps from Leonard, Parasuraman & Zeithmal (1994) research are discussed.

#### **Listening**

Generally, quality is defined by the customers and it should be improved according to customer specifications not the company. Listening, understanding and spending wisely on customer's expectations and perceptions can bring improvements in the services of the company as the way customers required and expect. The most common mistake in service improvement that companies do is to spend money in a way that does not improve the services at all. Research shows that company's strengths and weaknesses from service perspective are better explained by those who have experienced it. In order to improve the service, companies should install an ongoing research system that provides timely and relevant data. Also there is a need to develop service quality information system in the company. The service quality information system basically provides the following information.

Identify Dissatisfied Customers & frequent service failure causes

Collect customer feedback on continuous basis

Create customer forums to get ideas of further improvements

Improve internal service quality by focusing on employee issues and concerns

Improve customer services by measuring individual employee behaviour to use in trainings, performance evaluations and rewards

Analyze the company's service performance compared with competitors to identify strengths and weaknesses.

#### **Reliability**

The five dimensions of services reliability, responsiveness, assurance, empathy, tangibles are used as criteria to judge the quality of the services. Also these dimensions help service providers to understand about customers' expectations regarding service offerings. Research reveals that among these five dimensions Reliability is the most important one to judge the quality of the service. When firms are failed to deliver the promise and make frequent

mistakes in service delivery, customer loses its confidence on the firm's ability to provide timely and accurate service at the first end.

### **Service Design**

Reliability in service delivery as expected by the customers depends on how the various elements in the service system work well together. These elements include people who perform the service, equipment that required performing the particular service and the physical environment in which service is actually performed or delivered. Flaws in any part of this service system affect the quality level. Usually people who are delivering the services are blamed for poor quality however the real problem lies in the service system design. Service mapping is considered a way to improve the quality of services. Service mapping is the pattern of performances that makes a service system design.

### **Service Recovery**

When a customer faces a service problem, either service firms makes things better with the customer or make it worse sometimes. Three things happen when a customer experience any problem, they remain dissatisfied and do not voice their complains, they complain and become satisfied or become dissatisfied if company does not response well.

Generally, customers are reluctant to complain and company should take following steps in such situations,

*Encourage customers* to voice their complaints and make it easy for them by providing toll free numbers or comment cards.

*Problem resolution system* needs to be developed very effectively in the service firms.

*Response quickly* to customer complaints because quick response makes a customer feel that company is concerned about his/her interests.

### **Surprise Customers**

Customers evaluate the service dimension during the delivery process and it is very difficult to go beyond customer's expectations by providing the reliable services only. Therefore managers must consider the "WOW" factor in their service offerings. To go beyond expectations and delight the customer demands, firms should offer some surprising elements in their service offerings like grace, courtesy, uncommon swiftness, understanding and commitment.

## **Fair Play**

The customer expectation lies under the concept of fairness. As customers expect from the service providers to treat them fairly, fulfil the promises made and be trustworthy. Mainly customer's expect companies to provide quick services (responsiveness), to offer comfortable service facilities and communication channels (Tangibles), to fulfil the commitments (Reliability) to offer personal attention and polite dealing (Empathy) and should provide considerable and competent services (Assurance). Also should provide the guarantee demonstrate fairness towards service offerings. It gives the customer a right to evoke the service and charge the compensation if he becomes dissatisfied.

## **Servant Leadership**

Delivering high service quality demands an excellent leadership often known as "Servant Leadership". These leaders believe in people capacity to view their own roles as standard of excellence and a direction to achieve their goals by providing necessary equipments, tools and proper freedom to achieve their tasks. These Leaders believe in investing people by listening to their concerns, providing them trainings, coaching, and teach them how to inspire and compete in order to boost company's productivity and quality standards.

## **2.62 Managing the workforce in the Organisation**

For a service firm, employee's performance has a strong influence on firm's efforts regarding delivering quality services to its customers. So, services cannot be standardizing and up to the mark unless company understand its employees, deals and manage them in an effective manner. Because ultimately employees are the people who carry company's vision and mission and helps the company to accomplish its objectives. Also, they interact and deals with the customers directly. If employees are satisfied and happy they will delightly handle the customers, but if they are not happy the will response otherwise. It simply means that company can be successful only by effectively utilizing the abilities of its workforce and by expanding the scope of their activities. Pfeffer et al., 1995 has explained the importance of workforce and discussed few practises for managing people in the organisations that ultimately helps to achieve organisational goals. In the following pages (p27-p28) some of the practises from Pfeffer et al.,( 1995) research are discussed.

## **High Wages**

Employees are the representatives of the company. If company expect outstanding performance of its workforce it needs to hire outstanding people who can stay for long term. High wage offerings attract more applicants and allows organisations to be more selective in

choosing people. People who are provided with best training facilities to become more committed towards company's objectives. Moreover, if company offer higher wages above the market offerings, employees take it as a gift and they work with more dedication in providing excellent services to customers which obviously enhances customer loyalty.

### **Incentive pay**

When people are motivated, they perform with their full potential. However, money is not the only thing to motivate the employees. Studies showed that people are motivated with things like, fair treatment, job security and recognition. Nevertheless, if employees are expected to increase the level of firm's profitability and overall service performance, they will want their share in the benefits that organisation earns. So, organisations usually seek to reward the performances of its employees by providing them compensations and extra incentives.

### **Promotion**

The promotion opportunities increase the employee's commitment and bind them tightly with the employers. Also it encourages the workers to employ the skills learnt through training and development programs and offers an incentive to good performers. Most importantly it gives a sense of justice and fairness at the work place.

### **Training and Skill development**

Training and skill development programs show the firm's commitment towards the workers and ensure that the faculty is staffed with highly skilled workers who are specially trained to provide excellent services to the firm's customers. Well trained staff can perform the customer services with greater efficiency then the untrained staff. Trainings are effective only if the employees are permitted to use and apply the skills learned during such programs. One mistake that mostly organisations do is, they upgrade the skills and abilities of their employees and managers but they do not tend to change the structure that restrict the staff to utilize the skills learnt and to act creatively by introducing new methods and procedures that can enhance company's profitability and quality standards.

### **Cross Utilization and Cross training**

People who can perform multiple tasks are more beneficial for the organization. The important thing is that doing multiple things can make the work tasks more interesting and it has motivational effects as well. Also variety in job is considered as important job dimension

that has potential effect on how people give response to their work. Multitasking also ensures employment security. Having people at work with multiple skills make it more easier to retain them as they can perform different tasks.

### **Measurement of practices**

The process of managing people in the organisation cannot be successful without measuring and evaluating the outcomes of introducing such practices. Measurement provides the feedback to the management in evaluating how well the implementation of different procedures and practises turned out in the organisation. Secondly it ensures that what is being observed and measured will be noticed by the management. Feedback from the measurement helps in developing further implementation ideas and identify the areas which needs to be refined. Also it helps to learn how well different policies are implemented in achieving the desired results.

### **Information Sharing**

If employees are considered as the source of achieving organisational objectives, they must be provided with all the relevant information that is required to get the success. The main reason behind not disclosing much information to the employees is that, the information may leak to the competitors. But if the competitors already know the strategy then the employees will be only one who remains in dark and others will take advantage of this situation.

### **2.6.3 Closing gaps between firms' perception and customer perceptions of quality**

Though marketers of tangible goods have defined and measured quality with increasing levels of precision (Parasuraman et al., 1985). It is difficult to describe quality according to the marketers of services. Reason is, services cannot be seen, touched and measured before its is actually delivery to the customer. In most services, quality occurs during service delivery, usually when customer and service employee interacts (Lehtinen and Lehtinen, 1982). For this reason, service quality is highly dependent on the performance of employees. Sometimes what employees consider about service quality is somehow different than what consumers expect about quality. So a gap exists between employee's perceptions and consumer perceptions about service quality and delivery (Parasuraman et al., 1985).

These gaps are the main hurdles in delivering high performance. A firm should identify and remove these gaps by reevaluating its operational standards. Firms may not always understand what consumers expect from them and what levels of performance they need to meet service quality standards. These kind of service flaws and gaps effects consumer perceptions of quality (Parasuraman et al, 1985).

### **Service Quality Management Gap**

The gap between customer's expectations and managers perceptions about what consumer expects is wider in service industry that produces Intangible goods as compare to firms that produce tangible goods (Gronroos 1982; Zeithaml 1981). This gap occurs in upward communication (extend of communication between managers and employees), levels of management (layers between management and customer contact personals) and research orientation of the company (Less emphasize on marketing research).

### **Service Quality Specification- Service delivery Gap**

It is also called as Performance gap. This gap occurs when service providers are unable to perform services as expected by the management. The performance gap can be reduced by focusing on team work, employee job fit, technology job fit, type of supervisory and perceived control over employees and by reducing the role conflict and role ambiguity among employees.

### **Difference between Service Delivery and External Communications Gap**

Marketing, advertising and other communication channels effect the perception of customers regarding the service firms. Short falls between external communication and actual service delivery in the form of exaggerating promises can affect the customer perception and expectations regarding the quality of service.

## **2.7 Summary and Conceptual Framework**

This chapter looks at the antecedents of customer satisfaction which are service quality delivery, quality perception as moderated by service expectation and communication. Service quality is perceived services customer actually receives form organization which must meet or exceed expected services from the customer's previous experience or overall perception of the service. It is judged from the service: excellence, value, conformance to specifications and meeting and/or

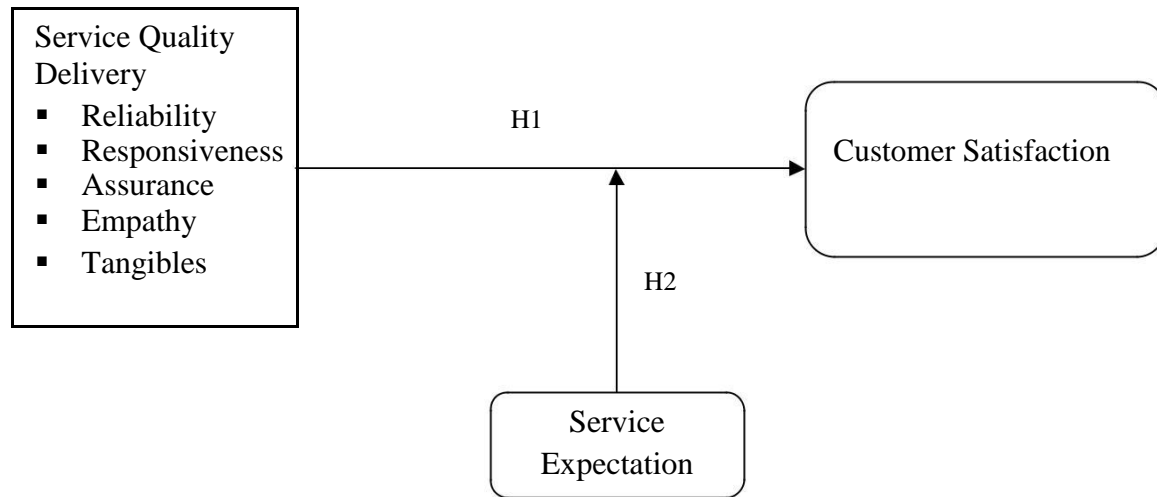
exceeding expectations. As presented in this chapter, external communication to the customers is often the basis that customers derive their service expectations which would determine the satisfaction with service delivery. It can affect the customers' perceptions of delivered service and also their expectations about the service. Gap model is used to demonstrate the integrated view of the perception gap and contributory factors. That is, expected service is a function of communication, personal need and past experience, and perceived service is a product of service delivery and external communications to consumers. This leads to the conceptual framework presented in Figure 2.1.

From the conceptual model, perceived service is resultant from service quality delivery by a firm. Customer satisfaction level is predicated on the service quality delivery as perceived by the customer based on their service expectations. When the perceptions meet expectations then the customers is satisfied. When the perceptions exceed expectations then the customers become highly satisfied. When the perceptions are lower than expectations, the customers become dissatisfied. However, service expectations are derived from the firms' external communication to the customers about their services. Thus, the study makes the following prepositions:

H1: Service quality delivery is significantly associated with service perception

H2: Service expectations significantly mediate with relationship between service perception and customer satisfaction

H3: External communication is significantly associated with service expectations



**Independent Variables**

**Dependent Variable**

**Figure 2.2: Conceptual Framework**

## **CHAPTER THREE:**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methods and procedures that were followed in conducting research. The methodology objective is to test the prepositions that: service quality delivery is significantly associated with service perception; service expectations significantly mediate with relationship between service perception and customer satisfaction; and, external communication is significantly associated with service expectations. The chapter is structured into research design, study population, sample, data collection and data analysis.

#### **3.2 Research Design**

Research design provided the guideline for data collection. It involved the selection of the research approach. The study employed descriptive research design. Descriptive research describes data and characteristics about the population or phenomena being studied. Descriptive research answers the questions who, what, where, when and how (Sharon, 2003). It was useful in establishing the determinants of customer satisfaction in commercial banks.

#### **3.3 Study Population**

Target population is the population which the researcher wants to generalize the results of the study (Sharon, 2003). The target population of the study was customers of the commercial banks in Nigeria. There are currently 21 commercial banks which formed the unit of

analysis (CBN, 2014). Thus, targeted population for this study was individuals who operate current or saving account in the commercial banks, age 18 years and above.

### 3.4 Sample

The study used stratified sampling technique in coming up with the study's sample. This owes to the fact that, to ensure representation, customers had to be taken from each commercial bank, giving rise to heterogeneous population. According to Sharon (2003), when population members vary (heterogeneous), it is advantageous to sample each subpopulation (stratum) independently by dividing members of the population into homogeneous subgroups (individual banks) before sampling. This ensures that each subgroup (customers of each bank) is selected for the study.

The study used single proportion method for sample size determination as it estimates with a high level of precision (Ahmad, Amin, Aleng and Mohamed, 2012). The formula for sample size calculation is:

$$n = \left( \frac{z}{\Delta} \right)^2 p (1 - p)$$

Where n = sample size, z is the confidence level which is 95% for the study;  $\Delta$  is the absolute precision (5%); and, p is the expected proportion of individual in the sample with the characteristic of interest (banks' customers). According to the National Financial Access 2013 Survey, while 44% of the Nigerian (72 Million) population uses some form of financial services, it is 66% that are banked. Thus, the aggregate sample for this study is 338. Using the formulae, from each commercial bank, 7 customers were being selected randomly making the sample size.

### **3.5 Data Collection**

The study gathered primary data. The primary data was gathered through questionnaires as they guarantee confidentiality; respondents act without any fear or embarrassment as is the case of interview. The questionnaires were designed to address the research objective. The first section of the questionnaire inquired about the general information about the respondents. The rest of the sections dealt with the determinants of customer satisfaction. As postulated by Grönroos (2007).Service quality was addressed by indicators such as tangibility, reliability, responsiveness, assurance and empathy. Service perception and expectation gap was measured by the customer opinion on whether their expectations are confirmed, affirmed or disconfirmed (Amy and Amrik, 2003). Customer satisfaction was measured by recommendation to others, loyalty; pleasure (Oliver, 1997). The customers were asked by give their opinion on the aforementioned dimensions or indicators using a Likert scale and semantic rating.

### **3.6 Data Analysis**

After data collection, questions were coded and entered into Statistical Package for Social Sciences then analysis run. The data was analyzed using of descriptive statistics for quantitative data. Descriptive statistics involves that use of frequencies, percentage, mean and standard deviation. The study used multiple regression analysis to test the prepositions and draw inferences on the determinants of customer satisfaction. To test whether service quality delivery is significantly associated with service perception, the regression model was:

$$SP = \beta_0 + \beta_1 SQD + \varepsilon$$

Where SP is service perception,  $\beta_0$  is regression constant,  $\beta_1$  is regression coefficient, SQD is service quality delivery and  $\varepsilon$  is error term.

To test whether service expectations significantly mediate with relationship between service perception and customer satisfaction, the mediated regression model was:

$$SAT = \beta_0 + \beta_1 SP + \beta_2 M + \epsilon$$

Where SAT is customer satisfaction,  $\beta_0$  is regression constant,  $\beta_1$  and  $\beta_2$  are regression coefficient, SP is service perception and M is the mediator variable which will be the service expectation. Quantitative data will be presented in tables, bar graphs and pie chart, while explanation to the same will be presented in prose.

The study used the regression coefficients to test the magnitude of the relationship between dependent and independent variables. The study applied f and t-significance from ANOVA to establish the significances of such relationship. The study used Pearson correlation coefficient to test the proposition that service quality has significant relationship with customer satisfaction. A correlation coefficient values ranging between -1 and 1 which measures the degree to which two variables are linearly related with the higher magnitude indicating higher degree of association between two variables. According to Rohlf and Sokals' (1995) critical values for the correlation coefficient, using 330 degrees of freedom a critical value for correlation is 0.376 at 0.05 error margin.

### **3.7 Validity and Reliability**

The pilot study was done on 30 commercial banks customers who were not be included in the final study. The study used both content and construct validity to ascertain the validity of the questionnaires.. As a check on face validity, questionnaire items were sent to the pilot group to obtain suggestions for modification. The content and construct validity was also be ensured by seeking the opinion of the lecturers on the suitability of the questionnaires.

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group. A construct composite reliability co-efficient (Cronbach alpha) was used to test the reliability of the research instrument. Cronbach Alpha value of 0.7 or above, for all the constructs, was considered adequate for this study.

## **CHAPTER FOUR**

### **RESULTS AND DATA ANALYSIS**

#### **4.1 Introduction**

This chapter presents findings and analysis of the study as set out in the research methodology. The study findings are presented to establish the determinants of customer satisfaction in banking sector in Nigeria. The data was gathered using questionnaires as the research instrument. The questionnaire was designed in line with the objectives of the study.

#### **4.2 RESULTS**

##### **4.2.1 Response rate**

The research sought to find out the actual number of the respondents who filled and completed the questionnaires. Lucey (1996) defines the response rate as the extent to which the final data set includes all sample members and it is calculated as the number of people with whom questionnaires were issued and completed divided by the total number of people in the entire sample, including those who refused to participate or filled them partially.

The study targeted 338 respondents from different commercial banks in collecting data and 291 of them completed the questionnaires. This constitutes 86.09% response. According to Sharon (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation. This is as indicated in the table below.

**Table 1: response rate**

<b>Response rate</b>	<b>Frequency</b>	<b>percentage</b>
Response	291	86.09
Non – response	47	13.91
<b>Total</b>	<b>338</b>	<b>100</b>

**Source: Bitta MA, 2014**

#### **4.2.2 Validity Test**

The questionnaires used had likert scale items that were to be responded to. For reliability analysis Cronbach's alpha was calculated by application of Statistical Package for Social Sciences (SPSS). The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 = excellent).

A higher value shows a more reliable generated scale. Cooper & Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient. Since, the alpha coefficients were all greater than 0.7, a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study.

**Table 2: Reliability Results**

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Items</b>
Service quality	.79	9
Service perception	.77	15
Service expectations	.78	3

**Source: Bomai L., 2018**

#### **4.3. Gender of respondents**

The table displays demographic information according to gender.

**Table 3: Gender of the respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	189	64.95
Female	102	35.05
<b>Total</b>	<b>291</b>	<b>100.00</b>

**Source: Bomai L., 2018**

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are as shown in table 3. According to the analysis it was evident that majority of the respondents were male which represented 64.95% while 35.05% were female. It can therefore be deduced that males were the most dominant gender in the commercial banks of Nigeria.

#### **4.4 Age Bracket of the respondents**

The study sought to determine if the respondents were old enough to provide valuable responses that pertain to the service quality and customer satisfaction in the banking sector in Nigeria

**Table 4: Age Bracket of the respondents**

<b>Age Bracket</b>	<b>Frequency</b>	<b>Percentage</b>
18 – 25 years	37	12.71
26-35 years	52	17.87
36-45 years	71	24.40
46-55 years	69	23.71
Over 55 Years	62	21.31
<b>Total</b>	<b>291</b>	<b>100</b>

**Source: Bomai L., 2018**

The respondents were required to indicate their age where the study findings showed that majority (24.40%) were between 36-45 years. Analysis of findings also indicated that 23.71% of the respondents were between 46-55 years of age. The findings further indicated that 21.31%

were Over 55 Years. While the remaining 17.87 % indicated that they were 26-35 years and lastly 12.71% of the respondents were 18 – 25 years. The finding therefore implies that the respondents were old enough to provide valuable responses that pertain to the determinants of customer satisfaction in banking sector in Nigeria.

#### **4.5 Determinants of customer satisfaction**

The study sought to find out the determinants of customer satisfaction. Statements below are indicators of the determinants of customer satisfaction with banks' services. The respondents were required to rank the indicators on a scale 1-5(minimum to maximum) to reflect their feelings and the extent to which they agree with the statements.

<b>Construct</b>	<b>Mean</b>	<b>Std. deviation</b>
<b>When the bank promises a certain service by a certain time, it does so</b>	4.13	1.137
<b>When customers have a problem, the bank shows sincere interest in solving it</b>	4.11	1.229
<b>My bank delivers its services promptly at the time it promises to do so</b>	3.97	1.393
<b>My bank always performs the service right the first time</b>	3.51	1.384
<b>The bank employees tell me exactly when services will be performed</b>	2.37	1.374
<b>The bank employees give me a prompt service</b>	3.64	0.788
<b>The bank employees are always willing to help Me</b>	3.97	1.417
<b>The bank employees are never too busy to respond to my requests</b>	4.12	1.362
<b>The employees instil confidence in customers</b>	3.68	1.317
<b>Customers feel safe in transactions with the bank</b>	4.31	1.343
<b>The employees are consistently courteous with Customers</b>	4.17	1.414
<b>The employees have knowledge to answer customers' questions</b>	4.23	1.03
<b>The bank employees give customers individual Attention</b>	3.87	1.137
<b>The bank has customers' best interest at heart</b>	4.19	1.229
<b>The employees understand customers specific</b>	3.91	1.393

<b>needs</b>		
<b>My bank provider has operating hours and location convenient to all its customers</b>	3.73	1.384
<b>The employees give off their personal attention</b>	3.41	1.374
<b>The staff members can clearly explain the various options available to a particular query</b>	3.88	0.788
<b>The staff avoids using technical jargon when speaking to clients</b>	3.77	1.417
<b>The Banks staff do not over-promise delivery or service quality</b>	2.71	1.362
<b>Advertisements and promotions are not at variance with the actual service experience</b>	3.52	1.317
<b>The bank keenly listens to customers and take appropriate action making me feel valued</b>	4.15	1.343
<b>My bank always delivers excellent overall service</b>	3.90	1.414
<b>The services offered by my bank are of high quality</b>	4.01	1.03
<b>My bank delivers superior service in every way</b>	3.95	1.147
<b>Interest rates on short, medium and long term loans are reasonable compared to other banks</b>	3.96	1.239
<b>Foreign currency pricing and trading by my bank is reasonable compared to other banks</b>	3.92	1.193
<b>Costs of maintaining account with the bank is low compared to other banks</b>	3.62	1.364
<b>Interest earned on fixed term deposits are high compared to other banks</b>	3.51	1.394
<b>Bank charges on domestic banking are low compared to others</b>	3.93	0.888
<b>I will continue to patronize this bank even if the service charges are increased moderately</b>	2.11	1.427
<b>I will keep patronizing this bank regardless of everything being changed somewhat</b>	2.37	1.362
<b>I am likely to pay a little bit more for using the services of this bank</b>	2.91	1.517
<b>To me, this bank would rank first among the other banks</b>	3.83	1.443
<b>Repeatedly, the performance of this bank is superior to that of competitor's one</b>	4.29	1.314
<b>I am completely satisfied with the services delivered by my bank</b>	3.71	1.037
<b>I feel very pleased with services offered by my bank</b>	3.63	1.157
<b>I feel absolutely delighted with my banks services</b>	3.81	1.219
<b>I would like to remain as a customer of my present bank</b>	3.98	1.493

<b>I would like to recommend my bank to friends and people I know</b>	3.97	1.374
<b>I will say positive things about my bank to other People</b>	3.71	1.574
<b>I would like to keep close relationship with my Bank</b>	4.52	0.738
<b>I consider myself to be loyal to my bank</b>	4.25	1.217

## **4.6 Inferential statistic**

Correlation analysis was used to measure the direction and strength of the relationship between independent variables, that is, service quality delivery – Reliability, Responsiveness, assurance, empathy and tangibles. Regression analysis established the relative significance of each of the variables on customer satisfaction.

### **4.6.1 Correlation Analysis**

The Pearson correlation coefficient is a measure of the strength of a linear association between two variables and is denoted by 'r'. The Pearson correlation coefficient, r, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases.

**Table 5: Correlation coefficient matrix**

	service qualitydelivery	serviceperception	serviceexpectations	Customersatisfaction
Service quality delivery	1			
Service perception	0.8345	1		
Service expectations	0.3507	0.6679	1	
Customer satisfaction	0.9567	0.8579	0.8123	1

The study in table 5, show that all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between the independent and the dependent variables. The correlation between service quality delivery and service perceptions was 0.8345, the correlation between service quality delivery and service expectations was 0.3507 and lastly the correlation between service perception and service expectations was 0.6679.

#### **4.6.2 Linear Regression Model**

Analysis in table 6 shows that the coefficient of determination,  $R^2$ , equals 0.843, that is, service quality delivery, service perception and service expectations is 84.3% of observed change in customer satisfaction. The P- value of 0.000 (Less than 0.05) implies that the regression model is significant at the 95% significance level.

**Table 6: Regression model for customer satisfaction**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.918(a)	.843	.805	.51038	.843	1.242	4	96	.000

a. Predictors: (Constant), service quality delivery, service perception, and service expectations.

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. The results are presented in table 7.

**Table 7: ANOVA (Analysis of Variance)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.045	2	.123	.678	.0025
	Residual	5.102	28	.177		
	Total	6.147	30			

The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). Since the significance value of the F statistic is smaller than say 0.05, that is, 0.0025 then the predictor variables, service quality delivery, service perception and service expectations explain the variation in the dependent variable which is customer satisfaction. Consequently, we accept the Hypothesis that all the population values for the regression coefficients are not 0.

The regression output of most interest is the following table of coefficients and associated output:

**Table 8: Regression Coefficients results**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.943	0.133	0.127	3.167	0.0025
	service quality delivery	0.9567	0.028	0.158	2.321	0.045
	service perception	0.8579	0.029	0.101	1.257	0.310
	service expectations	0.8123	0.030	0.105	1.594	0.274
a. Dependent Variable: customer satisfaction						

From the Regression results in table above, the multiple linear regression model finally appear as

$$SP = 0.943 + 0.9567 \text{ SQD} + 0.028$$

$$SE = 0.943 + 0.8579SP + 0.030$$

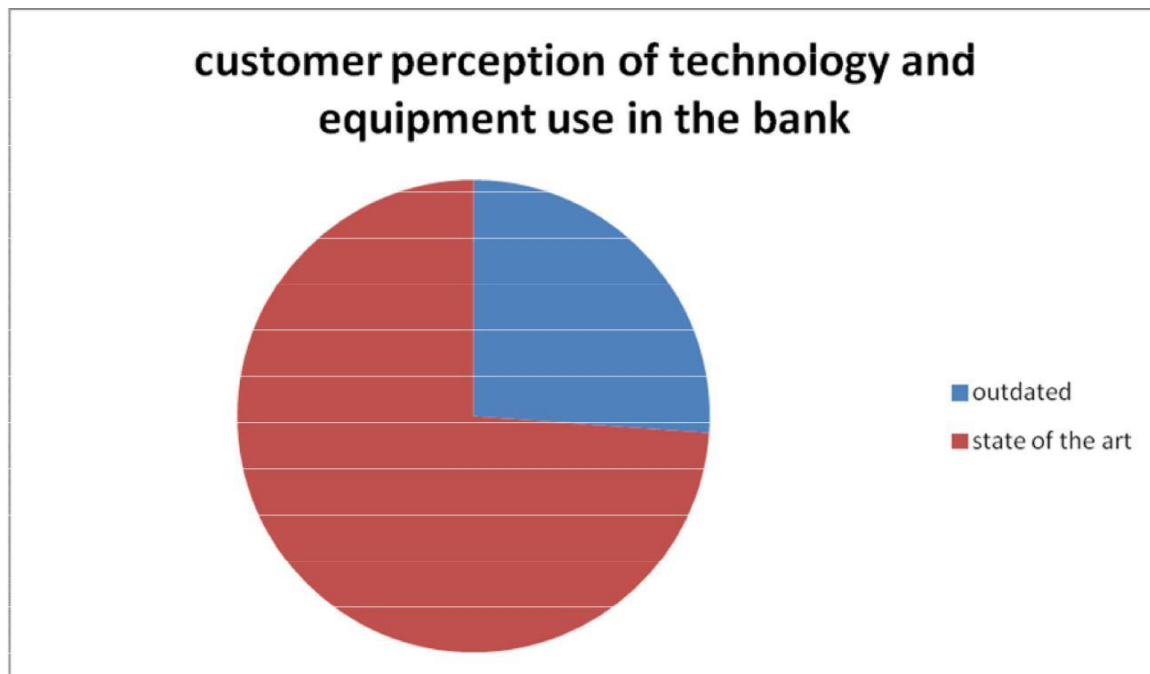
$$SAT = 0.943 + 0.8579SP + 1.9454M + 0.133$$

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (customer satisfaction) and independent variables (service quality delivery, service perception and service expectations). From the findings, One unit increase in service quality results in 0.9567 units increase in customer satisfaction. One unit change in service perception results in 0.8579 unit increases in customer satisfaction. One unit change in service expectations results 0.8123 unit increases in customer satisfaction. The t statistics helps in determining the relative importance of each variable in the model.

The findings of the study indicate that the respondents agreed with almost all the indicators as being positive determinants of customer satisfaction. Some of the determinants had negative mean indicating that the respondents disagreed with some of the determinants.

#### **4.7 Perception of the banks physical facilities**

The technology and equipment used in the bank was indicated as state of the art. 215 out of the 291 respondents ranked it 3 or 4 making a total of 73.9% .Most of the respondents agreed that the technology and equipment used in most of their banks was state of the art as illustrated in the pie chart below.



*Figure 4.1: A pie chart illustrating customer perception of technology and equipment use in the bank*

Regarding the bank's employee dressing code, the researcher found out that most of the employee in the banks always looked smart and presentable. According to the respondent's, (66% ,n= 291 )agreed that bank employees' dress code is always smart and presentable.

#### 4.8 Customer satisfaction levels

The customers were given a chance to give their opinion on what they felt needed to be done to increase the level of satisfaction with bank services and products. Responses were categorized into themes and the following results were obtained:

Amount of time customers spend at the queue had the highest frequency with 157 out of 291 respondents categorically stating that they expect their banks to reduce the time spent serving customers, cost also had the highest frequency with 129 out of 291 respondents categorically stating that they expect their banks to reduce service costs and reduction of the amount of paperwork involved in obtaining credit facilities was mentioned by 98 respondents. The bar graph below illustrates the findings

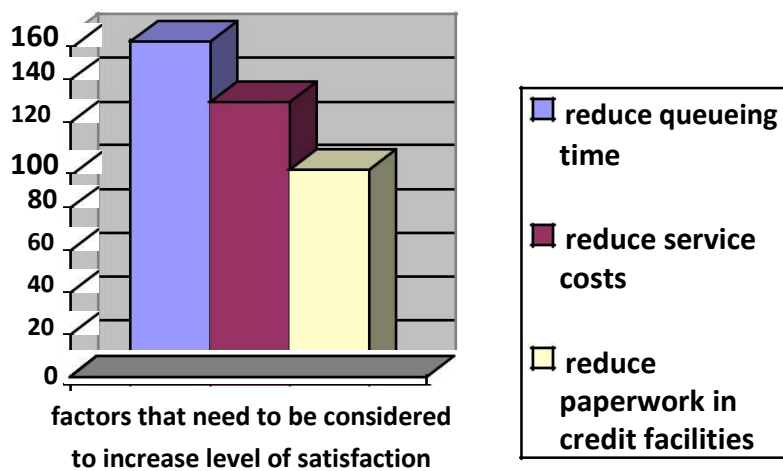


Figure 4.2: A bar graph illustrating factors that customers felt needed to improve to increase level of satisfaction.

## **CHAPTER FIVE**

### **SUMMARY AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter discusses the summary of the findings from chapter four, and also gives conclusions and recommendations of the study based on the objectives of the study.

#### **5.2 Summary**

The main objective of the study was to determine the relationship between service quality and customer satisfaction in the banking sector in Nigeria. The study specifically focused on the extent to which service quality delivery, service perception and service expectations affects customer satisfaction.

On average, in a scale of 1 -5 the customers felt that the quality of service be rated as 3.6; it should however be noted that some of the constructs such as the bank employees tell exactly when service will be performed scored a low of 2.37 while the customer feel safe when transacting with the bank scored a high of 4.3. A strong positive relationship 0.9567 between service quality delivery and customer satisfaction was noted. Since the significance of the F statistic is less than 0.05 (value at 0.0025), there is therefore a relationship between customer service quality and customer satisfaction, that is, the hypothesis is accepted.

On average, Service perception and expectation scored 3.7. A strong relationship between service quality, service perception and customer satisfaction was noted. However the relationship

between service quality and service expectation scored a low of 0.3071 and customer satisfaction and service expectation scored 0.667. The linear regression analysis showed an 84.3% change in customer satisfaction as a result of service quality, expectation and perception. An observation that was also strongly supported by Gronroos 2003 that quality is judged on individual's perception of service. Customer satisfaction level is dependent on service quality delivery as perceived by the customer based on service expectations.

### **5.3 Conclusion and Recommendation**

This study has highlighted the significant role customer satisfaction in banks would play in ensuring that customers are retained and financial inclusion is enhanced in the banking sector. A winning strategy now a day is to deliver excellent services. Quality service is essential to gain competitive advantage in the market place also it helps to sustain customer's confidence (Leonard et al., 1994). Companies develop different strategies in order to meet the quality expectations of its customers and to ensure the smooth service delivery they continuously engage themselves in improving the quality standards. To develop effective strategies that leads to increased level of satisfaction and customer loyalty, companies need to know how quality effects the satisfaction level, its role and cost to assess the customer value and its relationship with customer satisfaction. (Tam, 2004). Profit strategy is always linked with excellent services as it results in more business with existing and new customers. The focus of this research is to identify the ways through which companies can improve the quality of their services and extend to which the quality affects the satisfaction level of customers. It was analysed that the quality of service and customer satisfaction both are crucial factors for success in the business world. However quality is not the only aspect that customers demand to get satisfied. There are other factors together with the quality that effect customer perceptions and expectations about the services. These factors (as identified in the findings) are brand or company image, price, physical environment, customer experience, available equipments, performance and human interaction. Different practices are used both in academic and industry to improve quality internally and externally in the organization. It was found that quality can be improved on consistent basis

through constant monitoring and evaluating all the aspects that directly or indirectly affect the customer. The first research question is about the effect of service quality on customer satisfaction. The result shows that quality of service does affect the customer satisfaction, but up to some extent only as both concepts are distinct and the relationship found between them is casual.

The relationship between both constructs in this research is explained in terms of customer expectations and perceptions about the quality of services and the way it is performed/delivered, together with the influence of word of mouth /personal needs and the factors affecting the both constructs. Results show that needs and word of mouth affect the level of customer expectations and perception about the quality of service which leads to overall customer satisfaction/dissatisfaction. A need drive the customer to buy whereas word of mouth has the power to change customer perception and expectations regarding the service. It was found that Service performance and (negative) word of mouth has the strongest impact on customer decision regarding continue (repurchase intension) or discontinue (switching intension) the relationship with the particular service provider. Findings revealed that quality of service has significant contribution towards customer satisfaction because there are other factors as well. Those factors are brand or company image, customer experience, Price, bank internal and external environment, service delivery/ performance (fast or slow) the behaviour and appearance of the service providers effect the most. It can be concluded that customers demand the quality of service together with all factors that directly or indirectly effect the services to make him satisfied. The second Research Question is how the quality of service may be improved in the organizations. Results reveal that highly motivated workforce can help to raise the quality standards. For this purpose it is important to manage the workforce through constant monitoring and evaluating and by offering them rewards based on performance evaluations. Quality checks on monthly or yearly basis can also help in this regard. Workforce can be managed well by developing a strong strategy in place. This could be done through capacity planning training, innovation, automation, use of IT, reengineering the systems and by developing a culture in which customers are the main focus. The importance of customer services can't be neglected in this regard. Findings depict that Responsiveness ( the way they are dealt by the service provider) is the most valuable element for the customer in service settings. Also it is observed that companies need to work more on complaint resolution systems to make their services more

reliable. As the whole service industry lies on the concept of fairness, fulfilling the commitments on time is important to win the customer's trust. To improve performance system companies are striving to focus more on introducing employee-oriented policies by removing the gaps between management – employees and its customers. There are three main gaps described in the study. Service quality management gap can be removed by planning the activities, through research and analysis and by arranging the staff properly company can analyze and predict customer expectations. Also, it is important to develop data base analysis, customer general mapping, capacity planning and emphasizing on marketing research and analysis to gather information about latest market trends. Service delivery and external communication gap can be reduced if employees are trained enough from cross departments (as a backup) and should have enough information to handle customer queries. All matters with the customers should be communicated clearly and over exaggerations through false statements should be avoided. Through proper planning and constant monitoring one can overcome the issues. Findings revealed that hiring right person at right time at right place can help to reduce the performance gaps. Also by introducing ERP (enterprise resource planning) systems, by improving IT infrastructure, by dealing employee complain management system and by providing necessary trainings and refresher courses in each quarter performance gaps can be minimized.

Other than this, there is a need to focus on technological based services for customer support. The most important issue to win customer's trust is to focus on developing customer complaint resolution system. As the main focus is on satisfying the customer which demands to put an extra effort to understand their concerns. Sometimes a little nod or a smile can make a customer feel valuable. There are small things like gestures, way of dealing even dressing can be used as inspirational technique. Also, it's important to deal the customer in a way he/she understands. If we consider banks particularly, people who visit the bank belong to different age groups so bank should deal them in their way according to their comfort level. Also, firms need to establish a service culture followed by a strong strategy in place. Service providers must be able to design customer experience and must be able to measure customer experience, and then they should utilize the results in a positive way. It's all about forming a service culture in the organization that requires a method to be followed. Establishing a service culture is important where the actions of all the employees are under similar framework. Nevertheless employees are the most important asset of the company, happy employees lead to happy customers.

The Banking industry should establish strong relationship with other stakeholders like the government so as to improve the quality of service delivery. The proposed model of customer satisfaction may be used as a basis to plan efforts towards increasing customer satisfaction. Availability of good service quality delivery, service perception and service expectations will improve the customer satisfaction. The model, although designed in a specific context, may be extended to other similar services and help improve quality of services provided by the banking sector and thus increase overall satisfaction.

#### **5.4 Limitations of the study**

The validity and reliability of the study's information, which was obtained from the customers of the different commercial banks, depended on how honest they were. The executive banking sections in all the banks did not allow for administering of questionnaires to clients in those sections therefore an important niche of respondents was left out. The study did not make a distinction between public and private owned banks therefore there may have been confounding variables that affected the findings.

#### **5.8 Areas of further research**

Areas of further research that were identified include a similar study to be carried out on other sectors of service provision, A study on the customer satisfaction used in the other sectors of service provision; and lastly the challenges faced in Quality Management implementation in the other sectors of banking. Crucially further research is should be done to determine how customer satisfaction can contribute to organizational performance and financial performance and to what extent can the benefits if any be quantified by the different banks.

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## APPENDIX

### Appendix I: Questionnaire

I am a Master of business administration (MBA) student of the Nasarawa State University, Keffi. As a requirement, I am carrying a research project on the determinants of customer satisfaction in banking sector in Nigeria. As such, the study will be of use to the management of commercial banks and financial institutions in general. Therefore, your maximum co-operation and objective response will go a long way in ensuring that the afore-mentioned research aim is met. I promise that your identity would remain confidential; the findings will be treated with uttermost propriety and that this study would be used solely for academic purposes.

**Instructions:** *(Please read the instructions given and answer the questions as appropriately as possible).* It is advisable you answer or fill in each section as provided. Make an attempt to answer every question fully and correctly.

#### SECTION A: GENERAL INFORMATION

1. Kindly indicate the name of your bank:.....
2. What is your gender:  
Male      ☐                  Female      ☐
3. What is your age group:  
  
18 – 25 years                  ☐      26-35 years                  ☐  
  
36-45 years                  ☐      46-55 years                  ☐  
  
Over 55 Years                  ☐

#### SECTION B: DETERMINANTS OF CUSTOMER SATISFACTION

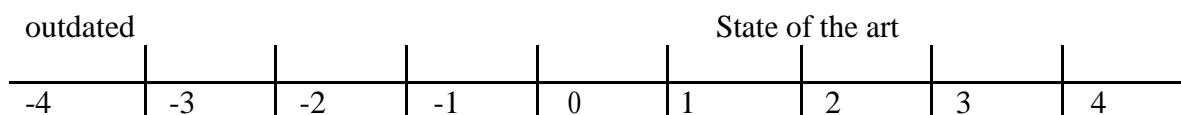
4. The statements below are indicators of the determinants of customer satisfaction with banks' services. Please rank the following on a scale 1-5(minimum to maximum) to reflect your feelings and the extent to which you agree with the statements.

<b>Construct</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
When the bank promises a certain service by a certain time, it does so					
When customers have a problem, the bank shows sincere interest in solving it					
My bank delivers its services promptly at the time it promises to do so					
My bank always performs the service right the first time					
The bank employees tell me exactly when services will be performed					
The bank employees give me a prompt service The bank employees are always willing to help me					
The bank employees are never too busy to respond to my requests					
The employees instil confidence in customers					
Customers feel safe in transactions with the bank					
The employees are consistently courteous with customers					
The employees have knowledge to answer customers' questions					
The bank employees give customers individual attention					
The bank has customers' best interest at heart					
The employees understand customers specific needs					
My bank provider has operating hours and location convenient to all its customers					
The employees give off their personal attention					
The staff members can clearly explain the various options available to a particular query					
The staff avoids using technical jargonwhen speaking to clients					
The Banks staff do not over-promise delivery or service quality					
Advertisements and promotions are not at variance with the actual service experience					
The bank keenly listens to customers and take appropriate action making me feel valued					
My bank always delivers excellent overall service					
The services offered by my bank are of high quality					
My bank delivers superior service in every way					
Interest rates on short, medium and long term loans are reasonable compared to other banks					
Foreign currency pricing and trading by my bank is reasonable compared to other banks					

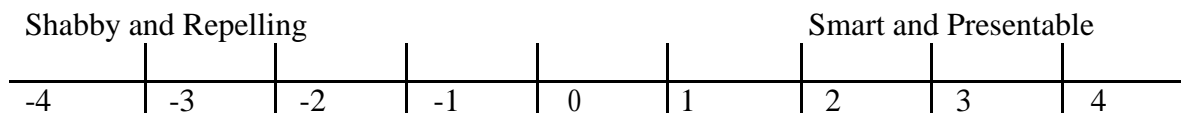
Costs of maintaining account with the bank is low compared to other banks					
Interest earned on fixed term deposits are high compared to other banks					
Bank charges on domestic banking are low compared to others					
I will continue to patronize this bank even if the service charges are increased moderately					
I will keep patronizing this bank regardless of everything being changed somewhat					
I am likely to pay a little bit more for using the services of this bank					
To me, this bank would rank first among the other banks					
Repeatedly, the performance of this bank is superior to that of competitor's one					
I am completely satisfied with the services delivered by my bank					
I feel very pleased with services offered by my bank					
I feel absolutely delighted with my banks services					
I would like to remain as a customer of my present bank					
I would like to recommend my bank to friends and people I know					
I will say positive things about my bank to other people					
I would like to keep close relationship with my bank					
I consider myself to be loyal to my bank					

5. Kindly indicate your perception of the banks physical facilities by ticking the position that effectively described it.

a. Technology and equipment used in the bank are:



b. The bank's employee dressing is:



6. In your opinion, what need to be done to increase your level of satisfaction with the bank service/products?

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

**THANK YOU VERY MUCH FOR YOUR TIME**