An Evaluation of Customer Perception towards Commercial Bank's Service Quality in Uganda

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Abstract

This paper endeavors to analyze customer perceptions about service quality in the selected commercial banks and rank the perceptions. The SERVPERF scale established by Cronin and Taylor (1992, 1994) is adapted to evaluate the service quality. Factor analysis is used to obtain service quality dimensions. Service quality dimensions are ranked and compared by calculating the mean scores of each service quality variable. One sample t-test is performed to find the significance of each item. It is concluded that respondents have high rating scores on tangibles and responsiveness. Tangibles have been proved to be of less importance to many researchers. Reliability which has proven to be the most important dimension by many researchers is perceived negatively by the customers as it has very low means in all its items and charges. Ugandan banks should try their best to improve on reliability, especially to shorten the long queues by increasing the number of branches and the number of employees in the tellers. The study is limited to Kampala the capital city of Uganda. Future research can be done in the rural areas and other districts and also can include important aspects like customer satisfaction and loyalty and their impact on service quality dimensions.

Keywords: Service quality, service quality dimensions, banking in Uganda, SERVPERF, and SERVQUAL, JEL CLASSIFICATION: 2-5 M3

Introduction

Organizations will increase profits in the short run if they move violently to reduce costs but this will not yield profits to shareholders in the long run unless customers find value in the services they receive from the organization (Christopher et al., 2004). Service quality is an intense assessment that demonstrates the consumer's perception components of service such as physical environment quality, interaction quality and outcome quality. These components are in turn analyzed based on service quality factors: reliability, responsiveness, assurance, tangibles and empathy (Zeithaml and Bitner 2003). Due to the mounting competition in the banking sector and growing customer needs, banks are urged to execute the core banking solutions which will progress customer service at the bank (Rajesh and Sivagnanasithi 2009). Before independence in 1962, the Uganda's banking industry was greatly dominated by the government. In the late 1991s and 2000s, the banking institution in Uganda was reestablished and many local banks were confirmed insolvent. Following deregulation in 2007-2010, authorization was approved to many foreign banks to enter Uganda's banking industry. These modifications raised competition, squeezed profits and reestablished banking service quality delivery. As a consequence, service quality has turned out to be a significant issue in influencing profitability and market share in the banking sector. It is necessary for the commercial banks in Uganda to know how the customers perceive their services they render to them, rank the perceptions and improve in the areas negatively perceived.

Literature Review

During this unstable economic environment, business aggressiveness and performance is associated with issues such as personalization and customization of services, service quality, experiences adding to customer value, utilization of information and communication and technologies and consumer relationship management hence meeting customer needs. However not all these efforts have been successful and the struggle continues (Marianna and Evangelos 2006). Customer expectations and customer authority has greatly increased with the growing competition in the financial service industry (John 1995). This situation has resulted to service providers' struggle highly competing for customers. Customers in the banking sector expect to experience

excellent banking services. Customers differentiate the different competing banking businesses in the banking sector by evaluating the quality of services they deliver. Numerous researchers have picked interest in service marketing and contributed to the body of knowledge of service quality with outstanding involvement from Parasuraman et al., (1985, 1988 and 1994) Cronin and Taylor (1994) and Brown et al., (1994) among others. In the current times, many scholars have researched about SERVQUAL model. Initially SERVQUAL was generated from 10 service quality dimensions which consisted the 97 items. The 97 item scale was polished and condensed to 22 items to structure the SERVQUAL model with reliability of .90 (Parasuraman at el., 1988). The scale yielded five dimensions of service quality which are tangibles, reliability, responsiveness, empathy and assurance. Then after, Parasuraman, Berry and Zeithaml (1988), analyzed service quality delivered by different service providers which were retail banks, a telephone provider, appliance repair and maintenance firm and a security broker and credit card companies. The seven point likert scale was adopted to capture customer responses and the target was to obtain customer perceptions and expectations and then find the difference between the two that is (perceptions-expectations) in order to arrive at the gap score (Parasuraman at el., 1988). SERVQUAL equation is expressed as follows:

$$SQ_i = \sum_{j=1}^{k} (P_{ij} - E_{ij})$$

Where
SQ_i = perceived service quality of individuals 'i'
k = number of attributes/ items.
P = perception of individual i' with respect to performance of a service firm attribute 'j'
E = service quality expectations for attribute j' that is relevant norm for individual 'i'

However, numerous studies have been made about SERVQUAL use of (P-E) and they found a poor fit and found service quality measured by a single item scale better (Babacus and Boller 1992, Babakus 1989; Carman 1990; Finn and Lamb 1991, Spreng and Singh 1993 and Havinal and Sirigeri 2013). The gap score theoretically makes sense but practically it is very difficult for the population under study to provide different information from that one given in the perception factor of the service quality scale (Babacus and Boller 1992). In 1992, Cronin and Taylor developed the SERVPERF which constitutes the perceived or performance only to challenge SERVQUAL model and the empirical research to prove that SERVPERF out competes the gap model was performed in four industries and these are: pest control, banks, dry cleaning and fast food. SERVPERF can be mathematically expressed as below:

$$SQ_i = \sum_{n=1}^{k} P_{ij}$$

P =perception of individual 'i' with respect to performance of a service firm attribute 'j'. countless studies have proved that SERVPERF out performs SERVQUAL (Churchill, Brown and peter,1993;, Cronin and Taylor, 1992;, Mohd, O dai and Alaa,2013) and proved to assess service quality better in developing countries (Jain and Gupta, 2004; Adil and Asari, 2012; Adil, 2013a; Adil2013b). Service quality dimensions are always differently significant in different service industries and in order to compare service quality dimensions and to rank them according to importance, the mean of the variables have been calculated through SPSS.

Objectives of the study

The objectives of the research are listed below.
To analyze the customer perceptions about service quality in the commercial banks in Uganda.
To rank the perceptions of the service quality dimensions.
To provide suggestions to the service quality dimensions perceived negatively.

Hypothesis

There is no satisfaction of the commercial bank customers towards empathy.
There is no satisfaction of the commercial bank customers towards compliance.
There is no satisfaction of the commercial bank customers towards assurance.
There is no satisfaction of the commercial bank customers towards reliability.
There is no satisfaction of the commercial bank customers towards responsiveness.
There is no satisfaction of the commercial bank customers towards tangibles.
There is no satisfaction of the commercial bank customers towards charge.

Table 1: Operational variables of the study

Dimension and concept	Items
empathy It's the personal attention the Ugandan banks provide to their customers and their interests.	the bank has employees who give customers individual attention
	the bank has employees who understand customer's needs
	the bank has customer's best interest at heart
	the bank has business hours that are convenient to customers
Convenience The state of being able to proceed with something without difficulty.	the bank sincerely solve right the first time
	the bank provides services as promised
	the bank has latest equipments
	the bank has visually appealing facilities
assurance Ability and knowledge to provide confidence and trust to	the bank has employees who are consistently courteous

customers.	the bank has employees who are friendly
	the bank has knowledgeable employees that answer customer questions
reliability The ability to provide the promised services accurately.	the time spent in the queue is shorter
	The bank provides services at promised time.
responsiveness Willingness to help and provide good services to customers.	the bank maintains error free records
	the bank provides prompt services to customers
tangibles Appearance of physical facilities, equipments, personnel and means of communication.	the bank has employees with neat and professional appearance
	the bank has visually appealing materials like prospectus
charges Price asked for the goods and services.	the bank provides a relatively low affordable bank charge

Source: Sana. N. Maswadeh (2015)

Sample of the study

The research was carried out by distributing questionnaires to Ugandan customers banking with centenary, Stanbic, Crane, DFCU and Baroda banks in Uganda. Among the top ten banks in Uganda in terms of assets and market share is concerned the five banks were selected. These banks were selected due to easy access to their customers. The respondents comprises of 426 customers that filled well the questionnaires. The sampling techniques used for the study is convenient and judgmental.

Location of the study

The current research is carried out in Kampala city the capital city of Uganda and the suburban places of the district. The researcher carried out the study in this place because it is the most populated city in Uganda according to the Uganda bureau of statistics, it was estimated to be 1,659,600 in 2011 and most of the economic activities in Uganda are carried out in this city and also it's where the main branches of these banks are located. Secondly the researcher well-knows the language, culture, and infrastructure facilities, which is greatly necessary to stimulate client responses.

Statistical method

The pilot study questionnaire consisted of 23 variables. The likert scale was used to measure the scores of the respondents. The score number (5) represented strongly agree, (4) agree, (3) neither agree nor disagree (2) disagree (1) strongly agree. The results of the pilot study performed among the selected bank customers in Uganda were tested statistically. The vital requirements for factor analysis like reliability test (cronbach alpha) was .757,

KMO and Bartlett's Test (Kaiser-Meyer-Olkin Measure of Sampling Adequacy was .629 and significant value was .000. Total Variance Explained extracted 8 items and Extraction Method: Principal Component Analysis extracted 20 components. Second rotation was performed where by the KMO and Bartlett's Test (Kaiser-Meyer-Olkin Measure of Sampling Adequacy increased to .707 , Total Variance Explained extracted 7 variables and rotated 19 variables which were finally considered for the final study and all items are above .5. one sample -t test is performed to prove the strength of each item. The values of one sample "t" test shows that all variables are significant as they are all below 0.05.

Table 2: Survey results

	Item rank	Mean	Significance (2tailed)
Empathy dimension			
the bank has employees who give customer attention	1	3.7676	.000
the bank has employees who understand customer's needs	2	3.7559	.000
the bank has customer's best interest at heart	4	3.4883	.000
the bank has business hours that are convenient to customers	3	3.6362	.000
Convenience			
the bank sincerely solve right the first time	4	3.5282	.000
the bank provides services as promised	3	3.5376	.000
the bank has latest equipments	2	3.9883	.000
the bank has visually appealing facilities	1	4.0681	.000
Assurance			
The bank has employees who are consistently courteous	3	3.3521	.000
The bank has employees who are friendly	2	3.5822	.000
The bank has knowledgeable employees that answer customer questions	1	3.9131	.000
Reliability			
The time spent in the queue is shorter	2	3.1291	.000
The bank provides services on promised time.	1	3.4624	.000
Responsiveness			
The bank maintains error free records	2	4.0751	.000
The bank provides prompt services to customers	3	3.7864	.000
You feel safe in all your transactions in the bank	1	4.1737	.000
Tangibles			
The bank has employees with neat and professional appearance	1	3.9930	.000
The bank has visually appealing materials like prospectus	2	3.9859	.000
Charge			
The bank provides a relatively low affordable bank charge	1	3.0704	.000

Findings and recommendations

- The bank customers perceive negatively reliability and charges. There averages are below 3.5 which means they are dissatisfied with these variables.
- Bank customers in Ugandan selected banks have very high perceptions on responsiveness and tangible. The items in these variables have very high means which are in the range of 4 and above, for example the question of the bank has employees with neat and professional appearance, the bank has visually appealing materials like prospectus and the bank has latest equipments the bank has latest equipments.

Recommendations

- Generally Ugandan banks should try to lower the charges as the question in that category scored the lowest means.
- The banks should also try to improve on the reliability items by encouraging customers to use internet banking and ATMs and also making these facilities efficient so that the walk ins are reduced.
- The banks should try to train, especially front line employees who communicate directly with the customers.
- The banks should try to employ enough workers so that all the tellers have employees so that the customers are served faster.

Conclusion

In conclusion, the top commercial bank customers in Uganda perceive highly some variables like responsiveness and tangibles and they are dissatisfied with the reliability and charge related items. In some variables like empathy, assurance and convenience, some items are satisfied by customers yet others are not satisfied. The banks should try to shorten the queues in the banks especially in special seasons like when students are going back to school and also during festivals seasons like Christmas. They should also reduce the fees and improve on reliability related items by training the frontline employees who deal directly with the customers.

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