Service Quality Dimensions and Customers’ Satisfactions of Banks in Egypt

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Purpose – The purpose of this paper is to measure the quality of service from customers’ perspective in the Egyptian banking sector.

Design/methodology/approach – This study is based on a questionnaire survey conducted in Egypt. Based on an extensive review of literature, the paper uses empirical research to analyse service quality of banking services provided by banks in Egypt. This is an analytical study based mainly on the primary data collected through a scientifically developed questionnaire. The questionnaire has been personally administered on a sample size of 150, chosen on a convenient basis from Egyptian banks.

Findings – Results based on a factor analysis identify four factors that influence users’ evaluation of service quality of banking services. These factors are reliability, responsiveness, empathy and assurance.

Practical implications – The findings are important to enable bank managers to have a better understanding of customers’ perception of service quality of banking and consequently of how to improve their satisfaction with respect to aspects of service quality.

Research limitations – The primary limitation of this study is the scope and size of its sample.

Keywords: services quality, Customer satisfaction, Banking, Egypt

I. Introduction:

Consumers all over the world have become more quality conscious; therefore customers’ requirements for higher quality service have been increased (Lee, 2005). Service sector such as the banks are obliged to provide excellent services to their customers in order to have sustainable competitive advantage.

In spite of the criticality of service quality to businesses, measuring service quality causes difficulties to service providers, as of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Douglas & Connor, 2003). In
sight of this, services need a distinctive framework for quality clarification and measurement. Among the major frameworks, SERVQUAL model developed by Parasuraman et al. (1985; 1988) is most preferred and widely used model for measuring service quality in the service industry.

II. Literature review:

A. Quality:

Quality has been defined from diverse perspectives. Quality was primarily seen as a defensive mechanism but it is seen as a competitive weapon for emergence of new markets as well as growing market share (Davis et al., 2003). Quality can be defined as satisfying or exceeding customer requirements and expectations, and consequently to some extent it is the customer who eventually judges the quality of a product (Shen et al., 2000).

An extensive range of literature over the last 25 years has examined the concept of service and acknowledged the intangibility of services as one of the problems allied with measurement (Joseph et al., 2005). Furthermore, in the service sector, where production, delivery and consumption can occur simultaneously, the concept of quality refers to the matching between what customers expect and what they experience. Customers evaluate service quality by comparing what they want or expect to what they actually get or perceive they are getting (Berry et al., 1988). When it comes to the service sector in banks, it turned out to be that they propose comparable kinds of services worldwide (Lim and Tang 2000), rapidly corresponding their competitors’ innovations. Nevertheless, customers can perceive differences in the quality of service. Banks have realized the significance of concentrating on quality of services as a approach to increase customer satisfaction and loyalty, and to develop their core competence and business performance (Kunst and Lemmink, 2000).

B. Service Quality:

Nowadays, with the increased competition, service quality has become a popular area of academic research and has been acknowledged as an observant competitive advantage and supporting satisfying relationships with customers (Zeithmal, 2000). Service quality is concepts that has aroused substantial interest and argue in research. There are difficulties defining and measuring it with no overall consensus emerging on either (Wisniewski, 2001). Service quality has been defined as the overall assessment of a service by the customers (Eshghi et al., 2008), while other studies defined it as the extent to which a service meets customer’s needs or expectations. Service is assumed to be quality when it consistently conforms to customer expectations (Asubonteng et al., 1996; Wisniewski and Donnelly, 1996). Parasuraman et al. (1985) argues that service quality is the measure of service delivered as against expected service performance.
Service quality is defined as customer perception of how does a service meets or exceeds their expectations (Czepiel, 1990). Several practitioners define service quality as the difference between customer’s expectations for the service encounter and the perceptions of the service received (Munusamy et al., 2010). Customer expectation and perception are the two main ingredients in service quality. Customers judge quality as „low” if performance (perception) does not meet up their expectation and quality as „high” when performance exceeds expectations according to Oliver (1980).

Service quality consists of five dimensions: tangibles (appearance of physical facilities, equipment, personnel and written materials), 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 individual attention the firm provides its customers). Reliability is considered the vital core of service quality. Other dimensions will matter to customers only if a service is reliable, because those dimensions cannot compensate for unreliable service delivery (Berry et al., 1994).

Perceived quality has been defined as a form of attitude, related but not equal to satisfaction, and fallout from a consumption of expectations with perceptions of performance. Consequently, having an improved understanding of consumers’ attitudes will facilitate knowing how they perceive service quality in banking operations (Parasuraman et al., 1988).

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customers’ satisfaction, and to play a major role in the growing and diversifying financial sector (Balachandran, 2005). There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet customers’ aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder.

The soundness of banking sector is of a dominant importance because it is a main component of the Egyptian financial sector, and as efficiency in the utilization of the savings of the depositors and the banking sector resources is essential to improve the growth rate of the existent sectors of the economy (Central Bank, 2003). The purpose of banking operations be supposed to be to progress the quality of life for the overall society not just the maximization of shareholders' wealth.
C. Service quality Model:

Among the models for measuring service quality, the most acknowledged and applied model in diversity of industries is the SERVQUAL (service quality) model developed by Parasuraman et al. The SERVQUAL model of Parasuraman et al. (1988) proposed a five dimensional construct of perceived service quality tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuraman et al., 1988; Zeithamlet el al., 1990).

D. Reliability

Reliability depends on handling customers' services problems; performing services right the first time; provide services at the promised time and maintaining error-free record. Furthermore, they stated reliability as the most important factor in conventional service (Parasuraman et al., 1988). Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. He also mentioned that reliability is the most important factor in banking services (Yang et al., 2004).

E. Responsiveness

Responsiveness defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman et al., 1985). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers' safety in their transaction (Kumar et al., 2009).

F. Empathy

Parasuraman et al. (1985) defined empathy as the caring and individual attention the firm provides its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours. Ananth et al. (2011) referred to empathy in their study on private sector banks as giving individual attention; convenient operating hours; giving personal attention; best interest in heart and understand customer’s specific needs.

G. Assurance

Parasuraman et al. (1985) defined assurance as knowledge and courtesy of employees and their ability to inspire trust and confidence. According to Sadek et al. (2010), in British banks assurance means the polite and friendly staff, provision of financial advice, interior comfort, eases of access to account information and knowledgeable and experienced management team.
H. Tangibility

Parasuraman et al. (1985) defined tangibility as the appearance of physical facilities, equipment, personnel, and written materials. Ananth et al. (2011) referred to tangibility in their study of private sector banks as modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

III. Customer satisfaction:

Literature establishes that customer satisfaction is a key to long-term business success (Zeithami et al., 1996). To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Tsoukatos and Rand, 2006). Banks need to understand customers’ service requirements and how it impact on service delivery and customers’ attitudes (Gerrard and Cunningham, 2001), for a small increase of customer satisfaction can lead to increased customer loyalty and retention (Bowen and Chen, 2001). With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out paths for future progress and improvement (Magesh, 2010). In the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers (Muslim and Isa, 2005). It is indeed true that delivery of high-service quality to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatepe et al., 2005).

IV. Research Aim:

The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996). The banking industry is highly competitive; banks do not only compete among each other; but also with non-banks and other financial institutions both local and foreign (Kaynak and Kucukemiroglu, 1992). The research aims to understand the main factors that affect customer satisfaction and propose a model that would support decision makers enhance the quality of service.

V. Methodology

The methodology employed in obtaining information about customer satisfaction in banking via a survey conducted at a sample of the general consumer population. In the questionnaire the questions were adopted from previous research. It measures service quality by implementing the five dimensions of the “SERVQUAL” instrument: each dimensions followed by questions. The 5-point Likert-scale is used for all responses.
with (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree).

The survey questionnaire is designed and distributed to target respondents randomly. Targeted respondents are the general public who are at the legal age to hold a Savings and/or Current Account in any of the banks in Egypt.

A. Research Hypotheses:

In order to answer the above questions, literature has been extensively reviewed to devise the following hypotheses:

H.1: There is no significant difference between service quality dimensions and customers' satisfaction.
H1.1: There is no significant difference between empathy and customers' satisfaction.
H1.2: There is no significant difference between reliability and customers' satisfaction.
H1.3: There is no significant difference between assurance and customers' satisfaction.
H1.4: There is no significant difference between responsiveness and customers' satisfaction.
H1.5: There is no significant difference between tangibles and customers' satisfaction.

B. Variable Measurements

The independent variables are the SERVQUAL dimensions: Tangibles, Responsiveness, Reliability, Assurance, and Empathy. Customer satisfaction is the dependent variable that the study measures with the independent variables. The most famous model of service quality was proposed by Parasuraman et al. (1985, 1988). It had five dimensions and can be explained as: Reliability, Responsiveness, Assurance, Empathy, and Tangibles.

C. Research Framework

![SERVQUAL Diagram]

- Assurance
- Reliability
- Tangibles
- Empathy
- Responsiveness

Customer Satisfaction
E. Questionnaire

A summary of the questionnaire is presented below in Table I.

**TABLE I.**

**QUESTIONNAIRE SUMMARY**

<table>
<thead>
<tr>
<th>Questionnaire Items</th>
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<tbody>
<tr>
<td>When you have a problem, the bank shows sincere interest to solve it</td>
</tr>
<tr>
<td>The Bank performs the service right the first time</td>
</tr>
<tr>
<td>Bank keeps its records accurately (error free record)</td>
</tr>
<tr>
<td>The bank employees provide services at the promised time</td>
</tr>
<tr>
<td>Bank has modern-looking and décor</td>
</tr>
<tr>
<td>Bank has modern equipment</td>
</tr>
<tr>
<td>Bank’s reception desk employees are neat-appearing</td>
</tr>
<tr>
<td>Providing prompt information to customers</td>
</tr>
<tr>
<td>The employees of the Bank understand your specific needs</td>
</tr>
<tr>
<td>The bank provides convenient service charges</td>
</tr>
<tr>
<td>You feel safe in your transactions with the Bank</td>
</tr>
<tr>
<td>Bank provides financial advice</td>
</tr>
<tr>
<td>Employees of bank are polite and friendly staff</td>
</tr>
<tr>
<td>Employees of bank are always willing to help customers</td>
</tr>
<tr>
<td>Employees of bank respond to customer request promptly</td>
</tr>
<tr>
<td>Fast and efficient counter services</td>
</tr>
<tr>
<td>The overall quality of the services provided by my bank is excellent</td>
</tr>
<tr>
<td>I am satisfied with products and services provided by my bank</td>
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</tbody>
</table>

The questionnaire contained 16 statements arranged in 6 groups. The used scale in this study is a five-point Likert-scale ranging from 5 ‘Strongly agree’ to 1 ‘Strongly Disagree’.

**Group 1:** Items for measuring Reliability are adapted from research. Four items are used to measure Reliability (Questions 1-4).

**Group 2:** Items for measuring Tangibility are adapted from research. Three items are used to measure Tangibility (Questions 5-7).

**Group 3:** Items for measuring Empathy are adapted from research. Two items are used to measure Empathy (Questions 8-10).

**Group 4:** Items for measuring Assurance are adapted from research. Two items are used to measure Assurance (Questions 11-13)

**Group 5:** Items for measuring Responsiveness are adapted from research. Three items are used to measure Responsiveness (Questions 14-16).

**Group 6:** Items for measuring Customer’s Satisfaction are adapted from research. Two items are used to measure Customer’s Satisfaction (Questions 17-18).
VI. STATISTICAL ANALYSIS

In order to analyze the questionnaire data, statistical analysis was done using the Statistical Package for Social Science (SPSS) software. Statistical Inferences used are as follows:

a. Reliability Analysis, used to measure reliability using Cronbach alpha.

b. Chi-Square Testing, used to test if there is a difference between two variables.

c. Regression analysis, used to assess how much do each independent affect Customer Satisfaction (dependent variable). It also gives an indication of the relative contribution of each independent variable.

A. Reliability Analysis

Reliability test is an assessment of the degree of consistency between multiple measurements of a variable. Cronbach’s alpha is the most widely used measurement tool with a generally agreed lower limit of 0.7. The following Table provides an overview of the reliability scores. As can be seen from this table, all the alpha coefficients were above the required level of 0.7.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Number of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>4</td>
<td>0.701</td>
</tr>
<tr>
<td>Tangibility</td>
<td>3</td>
<td>0.784</td>
</tr>
<tr>
<td>Empathy</td>
<td>3</td>
<td>0.613</td>
</tr>
<tr>
<td>Assurance</td>
<td>3</td>
<td>0.601</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>3</td>
<td>0.659</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>2</td>
<td>0.667</td>
</tr>
</tbody>
</table>

B. Testing Hypotheses using Chi-Squared Test

In order to understand and determine the main factors that affect the Customer Satisfaction towards banking services, a number of hypotheses were devised and tested as shown below:

\( H_01: \) There is no significant difference between Reliability and Customer Satisfaction

Testing this using the relevant questions, Chi-square = 1.004E2 (DF=9, sig. =0.000).

This shows a significant relation between Reliability and Customer Satisfaction. This would enable the authors to reject the null hypothesis.

\( H_02: \) There is no significant difference between Tangibility and Customer Satisfaction
Testing this using the relevant questions, Chi-square = 30.395 (DF=9, sig. =0.000).
This shows a significant relation between Tangibility and Customer Satisfaction.
This would enable the authors to reject the null hypothesis.

\( H_0:3 \): There is no significant difference between Empathy and Customer Satisfaction
Testing this using the relevant questions, Chi-square = 1.277E2 (DF=12, sig. =0.000).
This shows a significant relation between Empathy and Customer Satisfaction.
This would enable the authors to reject the null hypothesis.

\( H_0:4 \): There is no significant difference between Assurance and Customer Satisfaction
Testing this using the relevant questions, Chi-square = 42.959 (DF=0, sig. =0.000).
This shows a significant relation between Assurance and Customer Satisfaction.
This would enable the authors to reject the null hypothesis.

\( H_0:5 \): There is no significant difference between Responsiveness and Customer Satisfaction
Testing this using the relevant questions, Chi-square = 74.306 (DF=9, sig. =0.000).
This shows a significant relation between Responsiveness and Customer Satisfaction. This would enable the authors to reject the null hypothesis.

C. Regression Analysis

Regression tests shown in equation: \( Y = a + b \times \), where \( Y \) is the dependent variable, as is the \( Y \) intercept, that is the value of \( Y \) when \( x = 0 \), \( b \) is the regression coefficient which indicates the amount of change in \( Y \) given a unit change in \( x \), and finally \( x \) is the value for the independent variable. The results were as follows:

<table>
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<tr>
<th>TABLE III</th>
<th>REGRESSION ANALYSIS</th>
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<table>
<thead>
<tr>
<th>D. Dependant Intercept</th>
<th>E. Independent Intercept</th>
<th>F. Coefficients (Y=a + bx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>Reliability</td>
<td>Y = 1.016 + .204x</td>
</tr>
<tr>
<td></td>
<td>Responsiveness</td>
<td>+ .202x</td>
</tr>
<tr>
<td></td>
<td>Empathy</td>
<td>+ .176x</td>
</tr>
<tr>
<td></td>
<td>Assurance</td>
<td>+ .173x</td>
</tr>
</tbody>
</table>
The results are as follows:

Estimated $Y = 1.016 + 0.204*\text{Reliability} + 0.176*\text{Empathy} + 0.173*\text{Assurance} + 0.202*\text{Responsiveness}$

Where:
- Constant $a = 1.016$
- Reliability Coefficient $= 0.204$
- Empathy Coefficient $= 0.176$
- Assurance Coefficient $= 0.173$
- Responsiveness Coefficient $= 0.202$

The above results illustrate the highest impact of the reliability on customer satisfaction, where an increase in reliability by 0.223 will cause an increase in the customer satisfaction in banking sector. Similarly, the customer satisfaction in banks in Egypt is directly affected by the responsiveness where an increase in responsiveness 0.202 will cause a direct increase in the customer satisfaction in banks. Also, the customer satisfaction in Egyptian banking will be strongly affected by empathy where an increase in empathy 0.176 will cause a direct increase in the customer satisfaction within Egyptian banking. Further the lowest impact of the assurance on customer satisfaction, where an increase in assurance by 0.173 will cause an increase in the customer satisfaction in Egyptian banking sector.

VII. Conclusion

This study investigated the quality perception of bank customers in Egypt and the differences in relative importance they attach to the various quality dimensions using the SERVQUAL model. SERVQUAL appears to be a reliable scale to measure banking service quality, and provide a useful diagnostic role to play in assessing and monitoring service quality in banks. The research finding Customer Satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction. It also indicates that customers’ perception is highest in the reliability area this result showed consistency with Parasuraman et al. (1985, 1988) and Yang et al., (2004) and lowest in the assurance area. Based on the finding, Assurance has positive and significant effect with Customer Satisfaction, Assurance is mean of being safe, the responses state that the customers feel assurance is being important as part of the service quality that should be included. Responsiveness is the timely reaction towards the customers' needs. Responses to our research suggest that responsiveness has positive correlation and significant effect on customer satisfaction. This result shows that the banks' customers are prefer to deal with the human being rather than machines. It is also, shows that Tangibility has relationship but no significant effect on customer satisfaction. Bank services such as the infrastructure facilities are not important so this study concludes that tangibility is a need in providing quality service, but not a must. The results of the research suggest that there is a significant positive relationship between the empathy and customer
satisfaction, so the customers prefer a face-to-face service by the banks. Reliability is about the accuracy and timeliness in the service provided. Responses to our research, Reliability has a significant relationship and a positive effect on customer satisfaction.

The findings are important to enable bank managers to have a better understanding of customers' perception of service quality of banking and consequently of how to improve their satisfaction with respect to aspects of service quality. Owing to the increasing competition in banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality. Certainly some limitations must be mentioned, the primary limitation of this study is the scope and size of its sample.

References


