NEAR EAST UNIVERSITY

GRADUATE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF BANKING AND FINANCE

DOES CUSTOMER SATISFACTION EXIST IN THE BANKING SECTOR?

A STUDY IN NORTH CYPRUS

IN PARTAL FULFILMENT OF THE REQUIREMENTS FOR THE GRADUATE

SCHOOL OF SOCIAL SCIENCES

MASTER THESIS

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SUBMITTED TO ASST. PROF. DR. AHMET ERTUGAN

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Finance

Examining Committee

Asst. Prof. Dr. Ahmet Ertugan	Committee Chairman and Supervisor
	Department of Marketing
	Near East University
Asst.Prof. Dr. Nil Günsel Re ato lu	Chairperson, Department of Banking
	and Finance
	Near East University
Assoc.Prof. Dr. erife Eyüpo lu	Chairperson, Department of Business
	Administration
	Near East University

Approval of the Graduate School of Social Sciences

Prof. Dr. ÇEL K ARUOBA/ DR. MUH TT N ÖZSA LAM

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I hereby declare that all information in this document has been obtained and presented in accordance with the rules and ethic conduct of the Graduate School of Social Sciences, Near East University. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results to this work.

Name, Surname: Mohammed Rashdan

Signature:

Date:

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ABSTRACT

The retail banking marketing like more other financial industries is in the middle of sharp changing market. There is fierce competition in there generation, retail banking ,customer satisfaction is the highest ever, the current climate of retail banking set a services challenges that is more different to ascertain if customers are satisfaction or not. This research was to identify the factors of customer satisfaction in retail banks that would help the management of retail banks to evaluate and design marketing strategies that will improve customer satisfaction, retention and loyalty, increases profitability and business performance. A questionnaire was designed as adopted from the literature and a survey was carried out on a sample of retail bank customers in Northern Cyprus. The result reveled that customer satisfaction is dependent on seven factors, the said factors were identified as BANKSERV it represented the components of the bank services provided, BANKPERS it comprised all the components related to the image of the banks in the eyes of the customers, CUSTCONV it comprises of the components that is concerned for the providing customer comfort and convenience in reaching services, BANKPRICPOL This comprised of the components that referred to the pricing policies of the bank, and BANKCRM This represented the extent of customers' relations management carried out.

Key words: Customer satisfaction; retail banking; northern Cyprus

TABLE OF CONTENTS

1-strongly agree 2-disagree 3-niether disagree nor agree   4-agree   5-strongly agree

	Statement	1	2	3	4	5
7	Mission and vision statement of the bank rightly defines its commitment towards customers.					
8	The bank has clear objectives to satisfy customers.					
9	The brand (image of the bank) is appealing to you.					
10	The number of branches of the bank is enough.					
11	The location of branches of the bank is convenient.					
12	Sufficient parking space available.					
13	The bank has convenient timings.					
14	The general ambience and comfort level of the bank is satisfactory.					
15	You usually have to stand in a long queue in the bank for any transaction.					
16	The bank provides ATMs at several prominent locations.					
17	The location of the ATMs is convenient to you.					
18	As a customer, when you have a problem, you get proper response from the concerned employees.					
19	Each branch has sufficient number of employees.					
20	The behavior of the employees instills confidence in you.					
21	You are satisfied with the skill and competency of the employees.					
22	The charges that the bank collects from you are reasonable when compared with other banks.					
23	The interest rate offered by the bank on various deposits is competitive enough.					
24	The rate of interest charged on the loans is satisfactory.					
25	The bank has a number of categories to charge its customers or to impose penalties.					
26	It takes a long time to resolve your problems.					
27	The products and services offered by the bank are satisfactory.					
28	You wish to continue with the bank, as you are satisfied with it.					

Appendix

Questionnaire used during the empirical investigation

Part 1: demographic profile

Please mark [   ] your responses to the following

1. Age : 25 and below [ ]   26-35 [ ]   36-45 [   ]   Above 45 [   ]

2. Gender   : male [   ]   female [   ]

3. Material status   :   Single [   ]   Married [   ]

4. Educational qualification: Graduate [ ]   Postgraduate [ ]   others [ ]

5. Employment status :   self-employment [   ]   wage employment [   ]

Professional [   ]   Student [   ]   Others [   ]

6. Duration of the relationship with bank (the period time of banks customer relationship)
less than one year [   ]   1-2 years [   ]   2-3 years [   ]

Above 3 years [   ]

CHAPTER I

PROBLEM FORMULATION

1.1   Introduction

This chapter formulates the problem of the study. It provides a brief literature on the concept of customer satisfaction followed by the problem situation as observed by the study. Research questions and propositions follow the problem statement. Finally, a summary of the chapters of the study report are provided.

1.2   Customer satisfaction in banking services

A service provider provides a set of benefits to the service consumer. The financial problems of the customer are solved by the banks initiatives of its financial services. The difference between goods and services is based on tangibility, services are intangible for example they cannot be touched, seen or stored. They are also short-lived because we are cannot keep them; they are indivisible because they are fixed with a service provider, and lack strength and solidity as a result of diversification (Parasuraman*et al.* 1985; Hoffman and Bateson, 2002).

There are numerous studies that identify different dimensions of service quality. A list of service quality dimensions used in the banking sector across the globe is given in chapter two of this study report. Parasuraman*et al.*, (1988, 1991) developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers. It consists of 22 items that are compiled into five dimensions: tangibility; reliability; responsiveness; assurance and empathy.

Satisfaction is a state of hedonism because one has of achieved something it is an action of stating the needs, desires and estimations. Every client's differentiate the cost to its value of any services. Clients differentiate their estimations about a particular services

and the real value. The outcome showed that clients satisfied in three ways: dissatisfied customers (customers expect more and the performance is less); satisfied customers (customers expect high services and the capacity is less); indifferent customers (expectations=performance). Delighted customers (customers expect low and the performance is very high).

Financial liberalization and deregulation has increased the competition among banks to attract potential customers. Competitive banks try to provide superior services to keep satisfied customers. Customer satisfaction is a set of feelings or outcome attached with customer's experience towards any product/service (Solomon, 1996).

Mishkin (2001) (Anderson and Sullivan, 1993) revelled that financial services is the most important aspect of services sector and the affect increasing with time. Generally, the diversification of unified banking industry needs to go through a lot of policy and technical changes. (Avkiran, 1994) Said that correlation among quality of services and customer satisfaction is discovered by a various investigator in the world. Found that there are positive relationship among indicator of quality of services and total satisfaction. Mishkin (2001) said that the satisfaction of customer and quality of services are related to the bank sector (Angur*et al.* 1999).

1.3   Problem situation

North Cyprus is a small, island economy with a population of 300, 000. It has an economy lead by tourism, international universities and some in agriculture. The last 20 years have seen a boom in the number of both domestically owned and international banks, mainly from Turkey, opening their branches all over the country. The increase in the number of the banks has naturally escalated the competition amongst them. Many of these banks are talking about concepts on customer satisfaction. This study intended to measure the customer satisfaction retail banks in Northern Cyprus. The main goal, accordingly, was to identify the factors of customer satisfaction in the retail banking sector.

1.4   Statement of the problem

The problem of an organization need to understand customer satisfaction was hardly ever recognized and addressed by the earliest theories and practices of marketing management which focused mainly on production concept i.e. minimize cost by producing more to achieve scale of economics. However, today management have recognized that customer satisfaction is more or less important aspect of an organization, mostly in respect to profitability, and increased business performance. In today's more sophisticated society, customer satisfaction has increasingly by observed by most companies. It is a common knowledge that companies who emphasize steps toward customer satisfaction perform better than those companies that don't.   The performance of employees to continually seek to deliver superior customer service is a prerequisite for performance and profitability. But then, today's' customers don't need companies to satisfy or delight them, what they want management to do for them is to "listen" and provide according to customers specification. Only in that way can customer repeat purchase, retention and loyalty, and inadvertently increases profitability and business performance.

The problem set by this study is to identify the factors of customer satisfaction in the retail banking sector using the tools described in literature. The findings will assist similar research in North Cyprus mainly in adapting and designing measuring tools appropriate for similar purposes.

1.5   Research objective

The aim of this research thesis is to provide information that would help the management of retail banks to evaluate and design marketing strategies that will improve customer satisfaction, retention and loyalty, and inadvertently increases profitability and business performance. In effect the main aim of this study is:

- To identify the factors of customer satisfaction in retail banks

1.6   Significance of the study

There is an escalating competition amongst the retail banks in North Cyprus. Many bank managers are concerned about their competitiveness and are seeking research results that will lead them in the right direction. The significance of this study is embedded in its identification factors affecting customer satisfaction with retail banks in Northern Cyprus. The findings will assist similar research in North Cyprus mainly in adapting and designing measuring tools appropriate for similar purposes.

1.8   The limitations of the study

The study intends to investigate the factors determining customer satisfaction in the case retail banks in Northern Cyprus. It is a case study such that its findings will be limited with the case study country selected; however, further research replicating this study on a number of countries may well generate more generalized research findings.

Chapter summaries

Chapter two examines the influence of different dimensions of service quality on the customer's feelings of satisfaction and its influence on bank performance. A model of service quality, customer satisfaction and bank performance is developed in the light of literature to measure the performance of retail banks in North Cyprus in relation to service quality and customer satisfaction.

Chapter three portrays the contextual situation that this study took place. It provides country information and the retail banking sector in Northern Cyprus.

Chapter four explains the steps that were taken during the empirical investigations of this study. It includes the data collection and methods as well as the significance and the scope of the study.

Chapter five of the study report includes the analysis of the data collected during the empirical investigations. Personal characteristics of the participants were presented followed by a factor analysis of the survey questions.

Finally**, Chapter six** depicts the theoretical and empirical findings of the study and responded to the research questions. It further explained the limitations of the study and made recommendations for future research.

1.9   Conclusion

This chapter formulated the problem of the study. It provided a brief literature on the concept of market orientation followed by the problem situation as observed by the study. Research questions and propositions follow the problem statement. Finally, a summary of the chapters of the study report were provided. The next chapter is review on market orientation literature.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1   Introduction

This chapter examines the influence of different dimensions of service quality on the customer's feelings of satisfaction and its influence on bank performance. A model of service quality, customer satisfaction and bank performance is developed in the light of literature to measure the performance of retail banks in North Cyprus in relation to service quality and customer satisfaction.

2.2   Service and service quality

A service provider provides a set of benefits to the service consumer. Banks provide financial services that offer solutions to customer's financial problems. Services are different from goods because they are intangible as they cannot be seen, touched or felt; perishable as we are unable to store them; inseparable because they are attached with a service provider, and insubstantial due to heterogeneity (Parasuraman*et al.* 1985; Hoffman and Bateson, 2002).

Parasuraman*et al.* (1985) puts forward that assessment of service quality is difficult as compared to physical products. Services are defined as intangible because they cannot be seen, touched or felt (Hoffman and Bateson, 2002).

The service quality shows the organization's ability to meet customers' desires and needs (Hanson, 2000). This implies that organizations need to improve their services to meet the customers' wants. Hoffman and Bateson (2002) argue that customers' perception of service quality is very important for managers to understand in designing competitive strategies.

Quality is an ability of any product to meet customers' expectations and requirements better than competition. It's a set of features, characteristics or attributes that are required or expected by the customers. There are several studies that found a relationship between the service quality offered by banks and its consequences as satisfaction level among customers. It is reported that quality is observed as a major factor in reference to customer acquisition and retention (Galloway and Ho, 1996).

Morre (1987) identified that concentration on service quality leads to differentiation that enhance the competitive position of the organization for long term benefits. Service quality and customer satisfaction became core issues for the successful survival of any service organization. Service quality is considered very important indicator towards customer satisfaction (Spreng and Machoy, 1996).

Service quality became popular among professionals and academia due to increased competition. It contributes a lot to gain competitive advantage to maintain long-term relationship with customers (Zeithmal *et al.* 2000). There are two perspectives regarding service quality i.e. one is European and other is Americans. European researchers concentrate on functional and technical aspects of services having a keen analysis of organization's image (Gronroos, 1982, 1984; Lehthinen and Lehthinen, 1982). They focus on three dimensions of service quality to measure the performance of any product by considering functional quality, technical quality and corporate image. Service quality is defined as a discrepancy between expected and perceived service. It is said that service quality is the outcome of customers' comparison between expectations and performance (Gronroos, 1982).

The Americans' looms is concentration on functional quality to recognize the performance of services (Parasuraman *et al.* 1985, 1988, 1991; Kang and James, 2004). They investigated the service quality of different industries by dividing the service quality into five dimensions: tangibility, reliability, responsiveness, assurance and empathy. Firstly, they identified ten dimensions but finally service quality is refined to five dimensions (Parasuraman *et al.* 1985, 1991).

Parasuraman*et al.* (1985, 1988) defined service quality as customers' evaluation between service expectation and service performance. They compared customers' responses regarding their perceived quality of services and their pre-purchase expectations. It is said that service quality represents the answers to some queries like what is expected by customers? What is delivered? Finally is there any difference? (Woodside et al, 1989).

Asubonteng*et al.* (1996) defined service quality as the difference between customers' expectations about the service before its use and their perceptions after receiving the service. Quality factors vary from one to another in reference to the importance and their impact on the satisfaction level of the customers. It was found that specific activities like increasing the speed of processing information have resulted in delighted customers. Similarly, improvement in the reliability of equipment lessened dissatisfaction (Johnston, 1997). However, it was reported that service quality is the subjective comparison between what the customers require and what they actually get (Gefan, 2002).

Ibáñez *et al.* (2006) investigated service quality dimensions and found a significant effect of service quality on satisfaction in Spain. In another study, a conceptual framework to measure service quality from the customer's perspective is empirically tested for convergent validity, Unit dimensionality and reliability (Saravanan and Rao, 2007).

2.3　Dimensions of service quality

Different studies exist which identifies different indicator of service quality. Data concerning quality indicator are shown in the table below:

Table 2.1

Dimensions of Service Quality used in Banking Sector

	Year	Author(s)	Service quality dimensions	Method	findings
1	1982	Gronroos	Technical quality; functional quality; corporate image.	Empirically examines the European perspective (Gronroos model) by means of a questionnaire.	Gronroos model is a more appropriate representation of service quality than the European perspective with its limited concentration on the dimension of functional quality.
2	1982	Lehthinen	Physical quality; corporate quality and interactive quality.	Empirically examines the American perspective(lethinen model)	The result indicates that technical equality is more influential on the satisfaction.
3	1984	Gronroos	Refined their previous work and elaborate three dimensions of service quality.	Used BQS to investigate the relative importance of service quality dimensions on customer satisfaction.	The result indicates that functional quality is a more important determinant factor of satisfaction.
4	1985	Parasuraman*etal.*	Reliability; responsiveness; tangibility; courtesy; access; credibility; communication; competence; understanding; security.	Used SERVPERF for assessing service quality.	Show the quality dimensions and characteristics that call managerial attention responsiveness and assurance were found the most to be the most relevant to shop managers and customers respectively

5	1988	Parasuraman*etal.*	Refined their previous work and compiled ten dimensions of service quality into five: reliability; responsiveness; empathy; assurance; empathy.	Used SERVQUAL for assessing service quality.	Reliability is largely concerned with the service outcome while others related to the service process.
6	1990	Gronroos	Explored six dimensions of service quality: attitude and behaviour; skills and professionalism; accessibility and flexibility; reliability and trustworthiness; recovery; reputation and credibility.	Used SERVPERF instrument measure dimension service quality.	It Showed that the magnitude of the influence of each dimension of service quality on customer satisfaction is considerably different.
7	1992	Cronin &Taylor	Developed SERVPERF to compare with SERVQUAL.	Used SERVPERF And SERVQUAL.	They found that SERVQUAL dimensions are more reliable than SERVPERF dimensions.
8	1995	Johnston	Identified eighteen dimensions of service quality: aesthetic; availability; attentiveness; access; care; cleanliness; comfort; commitment; communication; competence; courtesy; friendliness; flexibility; functionality; integrity; reliability; responsiveness; security.	Developed SERVQUAL instrument the dimension to measure the dimensions of service quality is frequently used by researchers.	The findings confirm a significance of staff satisfaction and service quality.
9	2000	Oppewal andVriens	Explored twenty eight attributes to measure service quality.	Empirically investigated relationship between service quality and customer satisfaction by using original SERVQUAL.	Found a meaningful relationship between perceived service quality and customer satisfaction.

10	2000	Bahia and Nantel	Developed six dimensions of service quality that consists of thirty one items.	The developed BSQ and compared with SERVQUAL.	Found that BSQ dimensions are more reliable than SERVQUAL dimensions.
11	2002	Sureshchander*et al.*	Developed five dimensions of service quality that consists of forty one item scale.	Used BSQ and SERVPERF.	customer satisfaction plays an inter-mediator role in the relationship between service quality and financial performance of the banks in Australia.
12	2005	Malhotra *et al.*	Used 10 dimensions to measure service quality.	Examined the difference in perception of service quality dimensions between developing and developed countries, by using SERVQUAL	Found that in developing countries like India and Philippines results were systematically and significantly different.
13	2012	Kyei Rank Kofi.	Used 5 dimensions to measure service quality.	The project was basically exploratory research using both qualitative and quantitative approach; the sampling technique was convenient and stratified.	Found that The Trust Bank quality services provided to customers paved way for customers delight and Satisfaction this enhances customer satisfaction aiding The Trust Bank to have corporate image and identity.

13	2013	Zeynep Müge en	Reliability; responsiveness; tangibility; credibility; Security;competence; access ; courtesy; communication ; Understanding the customer.	Investigate the relationship between customer satisfaction and loyalty with the help of service quality(service quality model) by using SPSS.	Determined that customer satisfaction in banks in Northern Cyprus is mostly related with developing good and solid relations, building trust and performing the promise with friendly approaches.
14	2012	Mesay Sata Shanka	Reliability; credibility; tangibility; credibility; assurance.	Correlation and multiple regression were used to investigate the relationship between dependent and independent variables	Research Proves that empathy and responsiveness plays the most important role in customer satisfaction level.
15	2013	Khalid zaman	Reliability; responsiveness; tangibility; credibility; assurance.	The study conducted on basis of convenient sampling by using Spss (factor analysis).	The result indicates that core services provided by the banks are predictors of customer satisfaction.

Parasuraman*et al.*, (1988, 1991) developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers. It consists of 22 items that are compiled into five dimensions: tangibility; reliability; responsiveness; assurance and empathy. This study applied five dimensions of service quality that are explained as under:

Reliability– This dimension shows the consistency of services towards performance and dependability.

Tangibles- It shows the physical aspects of the services as physical facilities, appearance of personnel and tools & equipment used for provision of services.

Responsiveness-It reflects the willingness or readiness of employees to provide quick services to customers.

Assurance- This dimension indicates the employees' knowledge, courtesy and their ability to incorporate trust and confidence.

Empathy- This dimensions shows the magnitude of caring and individual attention given to customers.

Malhotra *et al.* (2005) examined the difference in perceptions of service quality dimensions between developing and developed countries. They found that in developing countries like India and Philippines results were systematically and significantly different. It is found that empathy is least preferred dimension of service quality by the customers of commercial banks in Malaysia (Tahir and Abu Bakar, 2007).

Parasuraman*et al.* (1991) reported reliability is largely concerned with the service outcome while others related to the service process. Leeds (1992) reported that service quality primarily depends upon the dealings of bank personnel. It was found that approximate 40% of customers switched their current bank due to poor services and nearly three quarters of banking customers gave the highest preference to tellers' courtesy. Customers of private banks have higher expectations and perceptions as compared to the customers of public banks in Greece (Kangis and Voukeates, 1997).

Kofi (2012) the research was to assess customer perception of the service being received from The Trust Bank and the significance of customer satisfaction. Found that The Trust Bank quality services provided to customers paved way for customers delight and Satisfaction this enhances customer satisfaction aiding The Trust Bank to have corporate image and identity.

 en (2013) investigate the relationship between customer satisfaction and loyalty with the help of service quality. Found that satisfaction in banks in Northern Cyprus is mostly related with developing good and solid relations, building trust and performing the promise with friendly approaches.

Shanka (2012) reported that empathy and responsiveness plays the most important role in customer satisfaction level followed by tangibility assurance and reliability. zaman

(2013) the result indicates that core services provided by the banks are predictors of customer satisfaction.

Longo (2000) suggested that bank managers should be more aware about the significance of quality improvement efforts to gain competitive position in the market. The results of these efforts are slow and sometimes have little influence. Customers' perception of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another (Furer*et al.*, 2002).

Gounaris*et al.* (2003) explored the service quality in Greek banking industry. The study showed that the magnitude of the influence of each dimension of service quality on customer satisfaction is considerably differs. It is reported that technological factors of service quality are more important as compared to human factors of service quality in Indian banking industry (Sureshchander*et al.*, 2003). It is said that there is direct and positive relationship between perceived quality and level of satisfaction (Iglesias and Guille´n, 2004). Similarly, it was found that expectations of bank customers were not met due to major gap in the empathy dimension. On the other hand, assurance has significant impact on the customer satisfaction of bank customers (Arasli*et al.,* 2005).

Jabnoun and Khalifa (2005) proposed a measure of service quality and then tested it in conventional and Islamic banks in UAE. They found that four dimensions: personal skills, reliability, values, and image are significant in case of conventional banks. While only personal skill and values were found significant in Islamic banks. Similarly, service quality is examined by conducting a survey of 300 bank customers in Thailand. The study depicted that reliability; serviceability and durability are the most important dimensions of service quality in the banking sector.

Al-Hawari and Ward (2006) found that customer satisfaction plays an inter-mediator role in the relationship between service quality and financial performance of the banks in Australia. An empirical study was conducted in UAE banking sector to investigate the service excellence. It found a positive relationship between service quality and satisfaction (Liang and Wang, 2006).

Glavell*et al.* (2006) conducted an empirical analysis of customers from five Balkan countries: Greece; Bulgaria; Albania; FYROM and Serbia. The study investigated the customers' views towards service quality offered by banks. It was found that there is a significant difference in customers' perceptions of service quality in different countries. Greek customers have highest perceptions towards service quality. It is suggested that service quality should be ensured by implementation of total quality management techniques in the banking sector (Al-Marri, Ahmad and Zairi, 2007).

It is evident that political, technological, environmental and socioeconomic factors influence the service quality perceptions of customers. Service quality offered by banks is examined by a comparative study of Bulgarian and Greece banks. The study suggested that there is a difference about the perception of service quality among customers of different countries. Findings show that Greece customers have higher levels of service quality perceptions as compared to Bulgarian customers (Petridou*et al.*, 2007).

Customers perception of service quality could be affected by the demographic features of the customers especially gender. It is concluded that gender influences the customer perception of service quality in the banking sector (Spathis*et al.*, 2004).

2.4   Customer satisfaction

Satisfaction is a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Most consumer look at the cost which is the value they get from the service. The findings showed that there are 3 classes are of customers: those that are not satisfied (customers expect > performance); satisfied customers (customers expect less and the performance is more); indifferent customers (expectations=performance). Delighted customers (customers expect low and the performance is very high).

Westbrook (1981) reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is

observed that organization's concentration on customer expectations resulted into greater satisfaction (Peters and Waterman, 1982). Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customers' feelings and beliefs also affect their satisfaction level. It is said that satisfaction is a function of customer's belief about fair treatment (Hunt, 1991).

Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness (Haron*et al.* 1994). Satisfaction is a post purchase evaluative judgment associated with a specific purchase decision (Churchill and Suprenant, 1982). The customer satisfaction is indispensable for the successful survival of any organization. Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty*et al.* 1996; Chitwood, 1996; Romano and Sanfillipo, 1996).

2.5   Customer satisfaction in banking

Banking markets have generally raised competition among players to bring more users. Competitive banks try to keep the premium services to serve satisfied customers. Satisfaction is a state of hedonism because one has of achieved something it is an action of stating the needs, desires and estimations (Solomon, 1996).

Yi (1990) defined customer satisfaction as a cumulative outcome of perception, evaluation and psychological thinking of customers when they utilize any service. There are a number of studies that measured the customer satisfaction towards services in the banking sector (Anderson *et al.*, 1993; Brenhardt*et al.*, 1994; White, 1994; Bedal and Power, 1995; Holliday, 1996; Dispensa, 1997).

Satisfied customer is the real asset for any organization that ensures long-term profitability even in the era of great competition. It is found that satisfied customer repeat his/her experience to buy the products and also creates new customers by communication of positive message about it to others (Dispensa, 1997).

On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. So, organizations must ensure the customer satisfaction regarding their goods/services (Gulledge, 1996).

Figure 2.1

T-diagram – outcome experience of customers
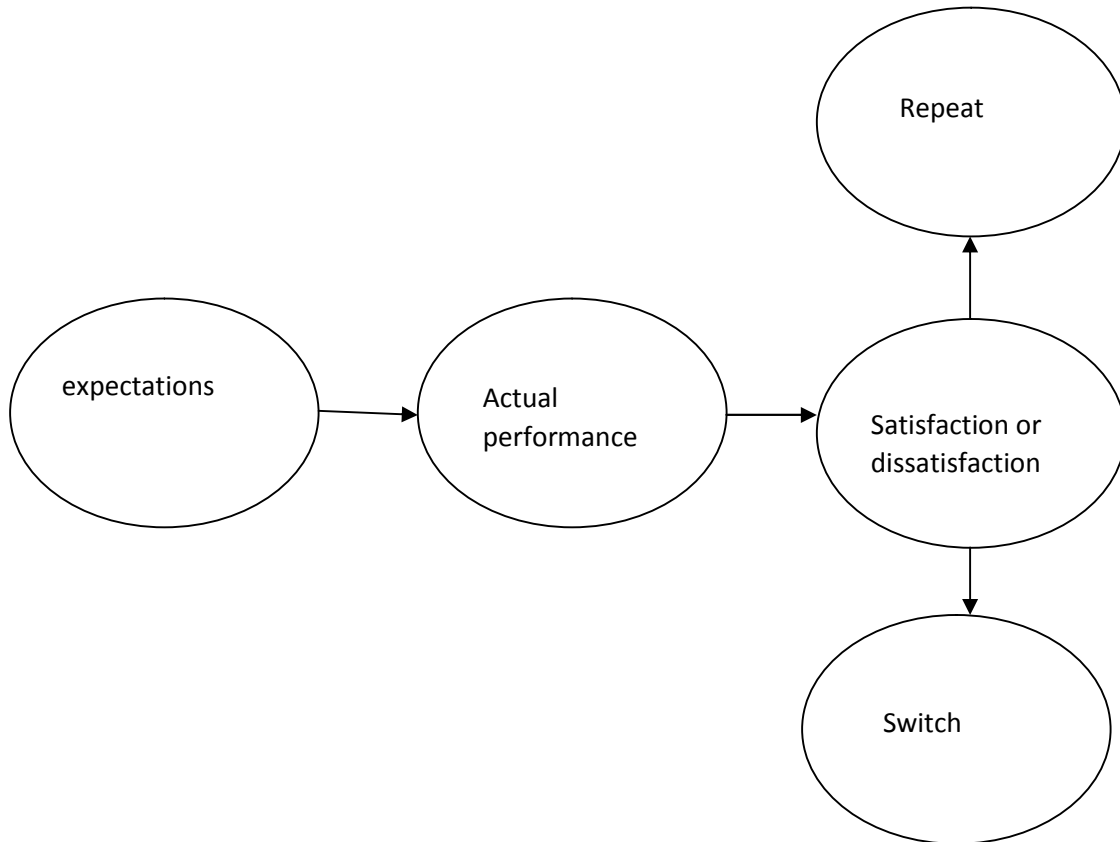
Figure 2.1 reflects expectation-outcome experiences of customers among bank customers. Customer satisfaction leads to better profitability by retaining existing customers and to attract new ones. Every organization deploys a reasonable amount to have satisfied customers. Satisfied customer leads to delighted customers that eventually create the sense of brand loyalty among customers.

The sequence of customer satisfaction in reference to satisfied customers, delighted customers and loyal customers can be express customers and loyal customers can be expressed in figure 2.2.

Figure 2.2   Customer Satisfaction for better Performance (generated)

```
┌──────────────────────────────────────────────┐
│  Expectation (Benefits)                        │
└──────────────────────────────────────────────┘
                      │
                      ▼
┌──────────────────────────────────────────────┐
│  Satisfied Customers                           │
└──────────────────────────────────────────────┘
                      │
                      ▼
┌──────────────────────────────────────────────┐
│  Delighted customers (high level of satisfaction) │
└──────────────────────────────────────────────┘
                      │
                      ▼
┌──────────────────────────────────────────────┐
│  (Customers) Brand loyalty                     │
└──────────────────────────────────────────────┘
                      │
                      ▼
┌──────────────────────────────────────────────┐
│  Greater & Long term profits for consumer      │
│  (Better performance)                          │
└──────────────────────────────────────────────┘
```
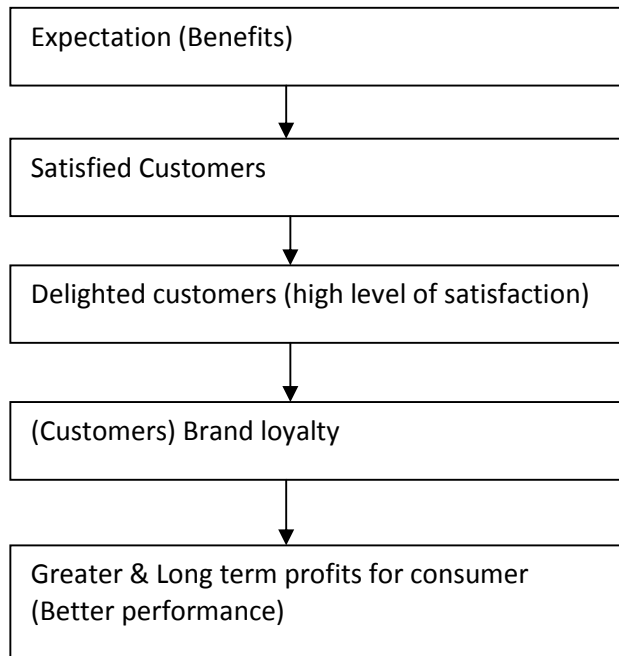
Cheng *et al. (*1996) argue that organizations should convey an attractive message to their customers about their product mix on rationale basis because exaggeration and unrealistic promises may result in dissatisfaction among customers. Customer satisfaction became the centre of organizational efforts. Financial institutions have experienced an intense competition and changing expectations of the customers).

2.6   Determinants of customer satisfaction

Banking industry expanded over a number of years due to the introduction of new products and services.   Both streams of banks are striving to attract the potential customers at any cost. This increased competition requires the provision of quality services to have satisfied customers for sustainable benefits. It is reported that delivery of high quality services is the key to sustain competitive advantage to have satisfied customers (Shemwell*et al.*, 1998).

Customer satisfaction is the central tenet to compete in the market successfully. It is prerequisite to retain customers to generate economic benefits. Customer satisfaction is crucial to realize greater profitability, larger market share and more returns on investments   etc.   (Hackl   and   Westlund,   2000).Customer   satisfaction   is   a

multidimensional construct that requires multi-item scale for its measurement. Researchers agree with the multidimensional nature of customer satisfaction and measured it accordingly (Westbrook and Oliver, 1981; Crosby and Stephens, 1987; Supernant and Soloman, 1987; Oliver and Swan, 1989; Oliva*et al.* 1992; Bitner and Hubert, 1994; Shemwell*et al.*, 1998; Sureshchander*et al.*, 2002).

Cronin and Taylor (1992) used a single item scale to measure the customer satisfaction. They asked customers to report overall feeling of satisfaction regarding a specific service experience. This approach proved insufficient due to concentration on only one item. Customers' overall satisfaction is investigated by using a four-item scale with reference to service provider (Bitner and Hubert, 1994). Another study investigated customers' satisfaction by developing a five-item scale to test their model (Shemwell*et al.*, 1998). Similarly, customer satisfaction was investigated in banking sector by using a six-item scale (Prince *et al.*, 1995).

Sureshchander*et al.* (2002) investigated customer satisfaction by using a forty one-item scale that is further summed up into five dimensions. They investigated the relationship between service quality and customer satisfaction in the banking industry. They suggested five dimensions of customer satisfaction i.e. core service or service product; human element of service delivery; systematization of service delivery (nonhuman element); tangibles of service (services capes) and social responsibility.

Customer satisfaction appears as the cumulative result of customer's internal feelings about their experiences related to products/services. It is suggested that organizations especially banks should concentrate on customer satisfaction. It could result into repeated purchase behaviour that is inevitable for long-term business success. An empirical study indicates a strong relationship between perceived service quality, customer satisfaction and other variables in Australian and Korean banks (Kayos, Kim and Shin, 2003).

Matawan and Almossawi (1998) investigated the banking behaviour of Islamic banking customers in Oman by collecting data from 300 customers. They aimed to find out the awareness and satisfaction level among customers of Islamic banks by considering their

demographic data. The findings showed that the most of the customers are highly satisfied with products and services of Islamic banks. They suggested that bankers should develop professionalism and competency to maintain profitable relations with customers.

Naseer, Jamal and Al-Khatib (1999) examined customer awareness and satisfaction by using a sample of 206 respondents towards Islamic banking in Jordan. It is investigated that how customer satisfaction affects the customers' behavioural consequences. The findings showed a strong impact of customer satisfaction on their decision to stay with the existing service provider and restrain their negative behavioural intentions. It is reported that there is a positive association between customer satisfaction and word of mouth communication (Athanassopoulos*et al.*, 2001).

Khalifa and Liu (2003) said that satisfaction is measured by the discrepancy between perceived performance and cognition like expectations or desires. There are several factors that yield customer satisfaction but service quality is one of them. It is reported that customer satisfaction helps to retain customers for greater profitability, increase in market share and more return on investment (Hackle and Westlund, 2000). It is investigated that service quality works as input to appear as customer satisfaction. It is found that customer satisfaction generates several outcomes like repeat purchase; loyalty, positive word of mouth and long term profitability (Wirtz, 2007).

Gustafsson (2005) defined satisfaction as a customer's overall evaluation pertaining to offer. The study found that overall satisfaction has a strong positive impact on customer loyalty regarding a wide range of products and services. It is explored that there is direct and positive relationship between perceived quality and level of satisfaction (Iglesias and Guille´n, 2004). It is suggested that the bank can create customer satisfaction by incorporating trustworthy behaviour, proper communication of information, reflection of genuine commitment to provide quality services, settlement of conflicts and improvement in the quality of overall customer relations (Nelson and Chan, 2005).

Ting (2006) investigated the impact of customer satisfaction in Malaysian banking industry and found a U-shaped relationship between customers' perception of satisfaction and positive word of mouth referrals in the existence of changing ownership. Structural equation modelling is one of the statistical tools applied to measure customer satisfaction. The study was based on 220 customers from 15 retail banks. It was found that overall customer satisfaction is the key determinant of relationship quality. The main indicators of customer satisfaction were listed as trust, commitment, communication, service quality, service satisfaction and service handling (Nelson, 2006). Cohen *et al.* (2006) investigated the customer satisfaction in the banking sector in New Zealand. Findings showed that customer satisfaction is the most important factor that influences customer decisions. Customers' age groups and educational level also contributed to their decision whether to stay with a current bank or not. It is evident from a survey of 230 retail-banking customers that responsiveness and reliability showed greatest impact on customer satisfaction in United States (Lopez, Hart and Rampersad, 2007).

Molina, Marty and Esteban (2007) investigated the customer satisfaction in retail banking by an empirical analysis of 204 bank customers. They found a direct relationship between confidence benefits and customer satisfaction. Morazán and near (2007) investigated perceived service quality and satisfaction as a key determinant for retention of customers in retail banking in United Arab Emirates. They found that satisfaction is important for retention of retail banking customers in UAE. It was found that supplier-customer relationships are critical in banking sector for delivery of quality services to have loyal customers for long-term profits (Ndubisi*et al.*, 2007).

2.7   Bank performance

A bank is an organization that presents a range of service propositions to a target market to achieve the objectives of marketing profit. Organization of their instruments through rending legal activities. An organization may concentrate on constructing programs for customers to meet their objectives that should not cause any harm to the society as whole (Aldrich, 1979).   Management will always try to decrees Over heads, fixed cost,

variable cost and maximize return through performance assessment to keep them in business (Dess and Robinson, 1984).

There are several criteria to evaluate the performance of banks for successful survival in the era of globalization and competition. Multiple aspects like profitability, liquidity, management performance, leverage, market share, productivity, innovation, quality of products, human resources and sales volume etc. can evaluate any organization.
Tvorik and McGivern (1997) investigated performance by comparing economic and organizational factors. They concluded that organizational factors influenced the profitability more than that of the economic factors. Successful organizations realized the importance of ongoing performance measurement practices (Weiss and Hartle, 1998).

Organization's performance could be assessed by resource-based view as explored by a number of researchers (Wernerfelt, (1984). It may be shown by varied combination in the literature. Organizational performance could be linked with market orientation, organization learning, human resource productivity, quality improvement or any other component (Day, 1994; Banker and Sinkula, 1999; Santos-Vijande*et al.*, 2005).

Organizational performance reflects an organization's understanding and knowledge regarding customer needs and expectations (Kohli and Jaworski, 1990; Deshpande *et al.*, 1993; Slater and Narver, 1995). It is reported that an organization can maximize the customer satisfaction for better profitability, increased sales volume that ultimately improves its performance for long term benefit (Baker and Sinkula, 1999). Generally, organizational performance is assessed by the application of financial measures. There are a number of studies in the literature that used non-financial measures to evaluate the effectiveness and performance of organization (Quinn and Rohrbaugh, 1983; Venkatramanand, 1986). It is suggested that four models i.e. human relations; internal process; open system and rationale goal model could represent the organizational performance (Quinn and Rohrbaugh, 1983).

Wheelen and Hunger (1998) argue that appropriate performance measures depend on the organizations and their objectives i.e. profitability, market share and cost reduction. Financial indicator like return on investment (ROI), earning per share (EPS) and return on equity (ROE) etc. are used by number of organizations to measure their progress. Return on investment is used to reflect the profitability while corporate performance was measured by operating cash flows and return on investment capital (Sorenson, 2002).

Rashid *et al.* (2003) measured firm's financial performance using the financial indicators such as return on assets, return on investments and current ratios. Financial ratios reflect the financial performance of the organization by an examination of financial statements as indicated by profitability, liquidity, leverage, asset utilization and growth ratios (Ho and Wu, 2006). The relationship between organizational innovation and performance was investigated by application of return on sales, return on assets, and return on equity and market-to-book ratio (Kuo and Wu, 2007).

2.8   Service quality and customer satisfaction in banking

Mishkin (2001) reported that banking and financial services are the integral part of services industry and its contribution is increasing with the passage of time. However, expansion of global and integrated banking sector has to face many challenges of legislation, technological and structural changes (Angur*et al.* 1999). The relationship between service quality and customer satisfaction is investigated by a number of researchers across the globe. It is concluded that there is strong association between dimensions of service quality and overall customer satisfaction (Anderson and Sullivan, 1993). It is found that the banking industry has a link between service quality and customer satisfaction (Avkiran, 1994).

Levesque and McDougall (1996) investigated the influence of key determinants of service quality on customer satisfaction in financial institutions. They found a substantial impact of service problems on customer satisfaction and their intensions to switch. It is suggested that service quality is an essential determinant of customer satisfaction.

(Yavas*et al.*, 1997; Bahia and Nantel (2000) developed an alternative scale for measurement of service quality in retail banking. They developed BSQ and compared with SERVQUAL. They found that BSQ dimensions are more reliable than SERVQUAL dimensions. In another study SERVQUAL is compared with Technical/Functional quality of services in private banks. Results showed that Technical/Functional quality model is better (Lassar et.al, 2000). A survey of 801 customers indicated that customers' perception of service quality differs in terms of demographic characteristics (gender, ethnicity, education and income) of the respondents (Urban and Pratt, 2000).

Oppewal and Vriens (2000) empirically investigated the relationship between service quality and customer satisfaction by using original SERVQUAL instrument with 10 dimensions as devised by Parasuraman*et al.* (1985). This study gave a direction to relate service quality and customer satisfaction. Service quality gained significance with the passage of time due to increased competition among service firms. It was examined that how customer satisfaction affects the customers' behavioural consequences. The study found a strong impact of customer satisfaction on their decision to stay with the existing service provider; and restrain their negative behavioural intentions. (Athanassopoulos, Gounaris and Stathakopoulos, 2001).

Kayos, Kim and Shin (2003) conducted a comparative analysis of Australian and Korean banks to find out the quality management practices and its outcomes. They found a meaningful relationship between perceived service quality and customer satisfaction. They suggest that organizations should focus on service quality as an input to customer satisfaction for long-term benefits and business success. Now banks have realized the importance of service quality for successful survival in today's global and highly competitive environment (Wang *et al.* 2003).

Jamal (2004) investigated the customer behaviour in retail banking by considering service quality its outcomes. It was observed that customers have varied experiences of satisfaction and dissatisfaction for utilization of self-service technologies. Financial sector is becoming more conscious about the performance evaluation regarding quality

of products/services according to customers' expectations. In another study, findings reveal a positive correlation between financial performance and customer service quality scores (Duncan and Elliott, 2004).

Curry and Penman (2004) reported that service quality is inevitable for differentiation to compete in the banking sector. They suggested that the right service could retain the customers for long-term benefits. So, banks should maintain the level of services by proper allocation of resources to meet customer requirements. Findings indicated that financial institutions require reasonable procedures to evaluate the overall satisfaction of their customers. However, understanding of changing needs and expectations of customers is an essential prerequisite for the financial sector (Joseph *et al.* 2005).

Jabnoun and Khalifa (2005) proposed and tested a measure of service quality to compare conventional and Islamic banks in UAE. The study found that four dimensions were significant in case of conventional banks. While only personal skill and values were crucial in determining service quality in Islamic banks. It is found that bank-customer relationship quality is evident between satisfied and dissatisfied customers. Both types of customers have clearly distinctive feelings regarding their service experience (Nelson and Chan, 2005).

Al-Hawari and Ward (2006) found that customer satisfaction plays an inter-mediator role in the relationship between service quality and financial performance of the banks. In another study, overall customer satisfaction was investigated in Malaysian banking industry by collecting data from 220 customers of 15 retail banks. It was found that overall customer satisfaction is one of the key determinants of relationship quality (Nelson, 2006). It is suggested that bank should start service quality improvement programs to enhance customer satisfaction and customer loyalty (Razak*et al.*, 2007).

2.9   Service quality, customer satisfaction and bank performance

There are few studies available in the literature that investigated the relationship between service quality, customer satisfaction and bank performance. Banks are dominant players of financial market having multiple opportunities in the recent age. It

is suggested that service performance appraisal system of the organization should be improved in line with customer satisfaction in the banking sector (Kayos, Kim and Shin, 2003). Financial performance of banks and other financial institutions could be measured by using the conventional method of accounting as well as latest measures of risk and expected returns (Duncan and Elliott, 2004).

Swan and Combs (1976) stated that satisfaction could be linked with performance because people feel satisfied when products perform according to their expectations. But they experience dissatisfaction when performance is below than their expectations. It is found that service firms show poor performance due to lack of knowledge about customers' expectation (Zeithmal*et al.* 1993). There are few studies that investigated direct and positive relation between service quality and profitability (Zahorik and Rust, 1992; Heskett*et al.*, 1994; Rust *et al.*, 1995).

The expansion of the banking industry requires a study to assess the service quality offered by banks and customers' feelings regarding their experience and how it affects bank performance. It was documented that an increase in service quality and professional behaviour resulted greater customer satisfaction and reduced customer erosion (Leeds, 1992). Heskett*et al.* (1994) reported that there is an evident relationship between services and profitability. The study suggested that customer satisfaction affects customer loyalty that leads to greater profitability. It is concluded that customer satisfaction resulted into profitability, so banks must focus on each customer to maximize their profits (Hallwell, 1996).

Newman and Cowling (1996) examined service quality in retail banking by comparing two banks in UK. They found that service quality is essential for banks due to link between quality, productivity and profitability. They also found that service quality helps to reduce the costs. It is suggested that the performance of banks can be measured as how they develop and maintain relations with their customers. The success of banks depends upon customers' willingness to stay with them (Ennew, 1996). It is concluded that the success of banks could be evaluated by the implementation of service quality programs to retain customers as satisfied with services (Yavas, and Shemwell, 1997).

Starkey, Williams and Stone (2002) examined the customer management performance in Malaysia by comparing banking industry with other industries. Findings showed that customer management performance is very poor in retail banking and insurance industry as compared to other industries under the study. In another study, 1000 retail banking customers were analyzed in Malta and it is found that customer satisfaction played a mediating role between service quality and service loyalty (Caruana, 2002). Similarly, service quality has significant influence on bank reputation (Wang *et al.*, 2003). It was found that there is significant relationship between service quality and financial performance (Duncan and Elliot, 2002).

Jabnoun and Al-Tamimi (2003) measured service quality in the UAE commercial banks by using a modified version of SERVQUAL. The study found three dimensions as reliable and valid namely empathy, human skills and tangibles. Similarly, findings of another study suggested that organizations should concentrate on service quality and customer satisfaction to gain competitive position in the market for long-term business success (Kayos, Kim and Shin, 2003).

Mukherjee, Nath and Pal (2003) examined efficiency of banking services by considering service quality, resources and the performance triad in India. Findings proved that there is a relationship between resources, service quality and performance of banks. Customers analyze different aspects of services to repeat their experiences in the future. It is found that superior delivery of services results into superior profitability (Kotler, 2003). It is reported that customer satisfaction partially mediates the relationship between effect of justice and word of mouth in the banking sector (Maxham, 2003). Islamic banking practices in developing economies helped to minimize risk and inflation. The study concluded that profit and loss sharing option is very attractive for the bank. Equity based ventures help the bank to reduce risk and monitoring costs (Ghanaian and Goswami, 2004).

Gao, Jia and Zhao (2006) examined the service quality and its attributes to measure the performance of retail banks in China. They conducted statistical analysis of the national

survey to identify existing obstacles and their solutions to improve service quality and customer satisfaction for six major local banks in China. They suggested that provision of better service quality than competitors could result into satisfied and loyal customers for greater benefits.

Gritti and Foss (2007) empirically investigated the relationship between customer satisfaction and loyalty and its impact on profitability in Italian banking sector. They found that customer satisfaction influences loyalty that results into direct effect on financial and non-financial customer value. It is reported that bank efficiency and shareholders' value is the outcome of customer satisfaction score. It is suggested that customer satisfaction scores require an adjustment for branch locations for customer service. It could increase the bank efficiency by reducing divergence in efficiency scores (Tripe, 2007). In another study, the service quality and bank performance examined in Jordan based on a sample of 346 respondents. Findings showed that dimensions of service quality have a positive impact on bank performance (Akroush, 2008).

2.10 Service quality, customer satisfaction and bank Performance in Northern Cyprus conceptual model and theoretical framework

The following model was generated for this research study in parallel with the research objective and the literature review carried out in this chapter.

Figure 2.7 Expectation-Outcome Experience of Customers (generated)
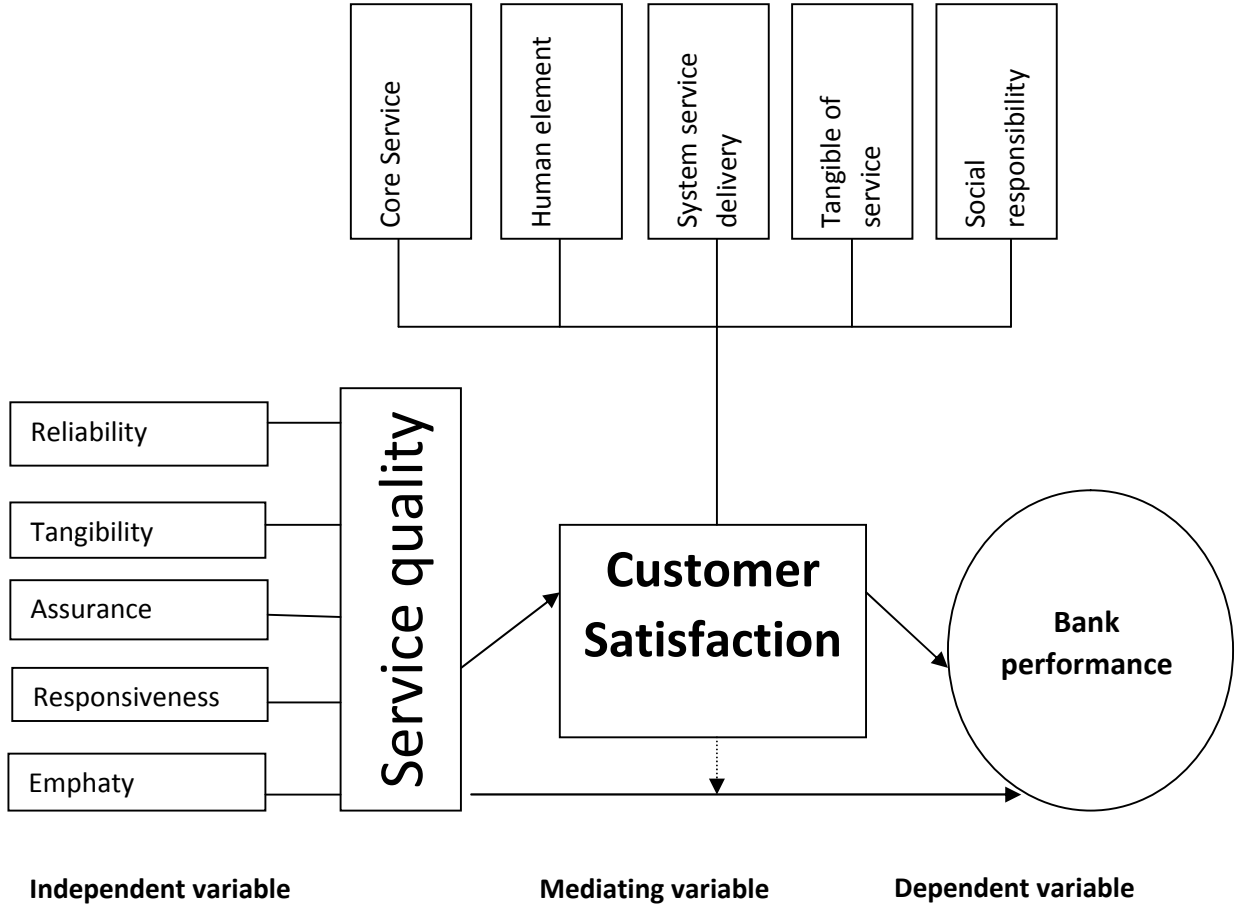
2.11 Conclusion

This chapter examined the influence of different dimensions of service quality on the customer's feelings of satisfaction and its influence on bank performance. A model of service quality, customer satisfaction and bank performance was developed to identify the different dimensions of service quality in the retail banking of Northern Cyprus.

CHAPTER 3

CONTEXTUAL FACTORS

3.1   Introduction

This chapter portrays the contextual situation that this study took place. It provides country information and the retail banking sector in Northern Cyprus.

3.2   Northern Cyprus

Northern Cyprus, officially Turkish Republic of Northern Cyprus curved out from the olden day Republic of Cyprus, a country with a total population estimate of 300,000(2014), a total GDP nominal estimate of $3.9 billion, per capita income of $16.158. The economy of Northern Cyprus is dominated by the services sector (60 % of GDP in 2007) comprises of public sector, tourism, and education, hence the emergence and dynamic growth of universities in the last two decades have been the major force in the transformation of the economy of north from traditional agrarian base to export-oriented services industries, such unprecedented structural changes in the economy, initiated by the foundation of the Higher Technological Institute in 1979, and fuelled by the rapid growth of student population from 150 in 1979 to almost 34000 in 2005, have made universities the engines of growth of the major cities, namely Nicosia, Famagusta, Kyrenia and Lefke-Guzelyurt; with these development the universities become "growth poles" of the majorities in the North by changing the physical environment and contributing to social, cultural and economic development of major population centres in North Cyprus.

 The revenues gained by the education sector in 2011 was $400 million, industry (light manufacturing) contributes 22% of GDP and agriculture 9%. While the nominal GDP growth rates of the economy in 2001-2005 were 5.4%, 6.9%, 11.4%, 15.4% and 10.6%

respectively. The real GDP growth rate in 2007 is estimated at 2%, this growth has been buoyed by the relative stability of the Turkish Lira and a boom in the education and construction sectors Meanwhile, like many other typical small economies, the economic prospect of the Northern Cyprus is based on the sectors listed above.

Banking sector has shown a remarkable development in North Cyprus despite the political isolation, the innovation that banks and financial institution exposed had made the banks to have new face, majority adopts electronic banking technology since 2008, and currently there are 17 commercial banks operating domestically, one of which is public, 1 development bank, 7 branch banks from Turkey, and 14 off-shore banks operating in North Cyprus (Central Bank of TRCN, 2009). generated total deposits by banking sector in North Cyprus were about 11.4% of GNP and total amount of loans provided by banking sector was 56.2% of GNP in 2007, it is important to see that amount of deposits is more than national income of North Cyprus.

3.3   Retail banking in Northern Cyprus

The central bank of Northern Cyprus state that there are 23 banks in the fourth quarter of 2014, all the banks in the Northern Cyprus including branches of foreign banks, private banks the international banking units most controlled by the central bank of Turkish republic of Northern Cyprus, In general, Cyprus has 23 banks that consist of one public bank, seven foreign branch bank, fourteen privately owned by equity organization and also are development and investment bank ,Also seven bank are under savings deposit insurance fund (S.D.F.I.) In the fact that most bank in North Cyprus are privately owned.

3.4   Conclusions

This section has provided information on Northern Cyprus and the retail banking sector as the contextual scene of this study.

CHAPTER 4

METHODOLOGY

4.1 Introduction

This chapter explains the steps that were taken during the empirical investigations of this study. It includes the description of the measuring instrument, validating the instrument, the sampling method and the method used in the analysis of data collected.

4.1 The measuring instrument

Data collected from the customers of the different bank in Cyprus, that I have been working and outside the bank from randomly selected respondents. Four places where visited which are Nicosia, Famagusta, Kyrenia and Lefke-Guzelyurt respectively. A sample of 200 customers from the different bank in these cities where interviewed after the bank service. Respondents and banks were randomly selected during the last quarters of 2014. Questionnaire of this research was presented in both Turkish and English.

This was a two-section survey questionnaire asking the respondents personal details in the first section and measuring the respondents' level of customer satisfaction in the second section. The measuring of customer satisfaction was based on 22 attitude statements measured on a 5-point Likert Scale where "5" was "strongly agree" and "1" was "strongly disagree".

The questioner used in this study was adopted from study on customer satisfaction in Indian retail banking (Anubhan, Anand Mishra 2009).

4.2 Validity of the measuring instrument

A face validity approach was used to validate the measuring instrument. Face validity is concerned with whether a test looks as if it measures what it is supposed to measure.

Expert opinion from the academia was taken followed by pilot tests to ensure the validity of the measuring instrument.

4.3   Sampling

A convenience sampling approach was used to collect information using the described survey questionnaire from 200 customers of various retail banks in Northern Cyprus. A convenience sample is simply one in which the researcher uses any subjects that are available to participate in the research study. This could mean stopping people in a street corner as they pass by or surveying passersby in a mall. It could also mean surveying friends, students, or colleagues that the researcher has regular access to.

4.4   Data analysis

Factor analysis method was used to analyse the data in line with the aims of this study that is to identify the major factors determining customer satisfaction in there retail banking services in Northern Cyprus. This method explains a pattern of similarity between observed variables. Questions which belong to one factor are highly correlated with each other. Factor analysis in market research is often used in customer satisfaction studies to identify underlying service dimensions, and in profiling studies to determine core attitudes.

4.5   Conclusion

This chapter has explained the steps that were taken during the empirical investigations of this study.

CHAPTER 5

FINDINGS

5.1   Introduction

This section of the study report includes the analysis of the data collected during the empirical investigations. Personal characteristics of the participants were presented followed by a factor analysis of the survey questions.

5.2   Analysis of data

The data collected on the questionnaire forms were transferred first to SPSS 21 Statistical Package program before being analyzed. The following are the results:

5.2.1   Consistency of the measure (questionnaire)

The cronbach's coefficient alpha 30 items is .847, suggesting that the items have relatively high internal consistency is shown below. This is the most popular test for consistency reliability and a coefficient above 0.60 is sufficient for most social science studies (sekaran and bougie 2009).

Case Processing Summary

		N	%
Cases	Valid	200	100.0
	Excluded[a]	0	.0
	Total	200	100.0

Reliability Statistics

cronbach's Alpha	N of Items

.847	30

5.2.2 Personal characteristics of the participants

As mentioned in the previous chapter a total of 200 questionnaire forms were completed with 200 participants. In the identification of the personal characteristics of the participants questions in five sections were asked in parallel to the objectives of this research project. The responses were depicted as in the Tables 5.1a, 5.1b, 5.1c, 5.1, d, and 5.1e below:

Table 5.1a   Information on the participants

Gender		Frequency	%	Valid %	Cumulative %
	Female	82	41	41	100
	Male	118	59	59	100
	Total	200	100	100	

There were more female participants then male. There were 59% male and 41% female. In other words, for every 3 male were two female participants.

Main finding: Majority of the bank customers are male.

Table 5.1b   Information on the participants

Age (years)		Frequency	%	Valid %	Cumulative %
	Below 25	112	65	65	65
	26-35	44	22	22	78
	36-45	27	13,5	13,5	91,5
	45+	17	8,5	8,5	100
	Total	200	100	100	

The majority of the participants were at the4 age 25 and below. When we look at the cumulative results we can see that an almost 80% of the applicants are under 35 years of age.

Main finding: According to the sample we can say that the majority of the banks' customers are less than 35 years of age.

Table 5.1c   Information on the participants

Marital status		Frequency	%	Valid %	Cumulative %
	Single	137	68,5	68,5	68,5
	Married	36	31,5	31,5	100
	Total	200	100	100	

It was interesting to find out that an almost 70% of bank customers are single. As seen from the table above, the married customers only constituted the 30% of the sample population.

Main finding: Most bank customers are single, not married.

Table 5.1d   Information on the participants

Education levels		Frequency	%	Valid %	Cumulative %
	Graduate	128	64	64	64
	Post-graduate	44	22	22	86
	Others	28	14	14	100
	Total	200	100	100	

When asked about level of education it was observed that more than 60% of the participants have classified themselves as graduates. The post-graduates and others constituted a 30% in total.

Main finding: More than half of the bank customers are university graduates.

Table 5.1e   Information on the participants

Employment status		Frequency	%	Valid %	Cumulative %
	Self-employment	25	10,1	10,1	10,1

Wage-employment	28	24,7	24,7	34,8
Professional	22	7,9	7,9	42,7
Students	102	12,4	12,4	55,1
Others	23	11,5	11,5	100
Total	200	100	100	

Looking at the employment status of the applicants it was observed as above in Table 5.1e that they are almost equally distributed amongst the applicants. The wage employment status, however, was more than the other statuses defined.

Major finding: Most bank customers work as wage-employed.

5.3   Factor analysis

Factor analysis is usually described as a set of procedures used to simplify complex sets of quantitative data by analyzing the correlations between variables to reveal the small number of factors which can explain the correlations. In this study we have a reasonable number of variables that have been observed. In any case some variables can be left out unnoticed and some of which can be joint variables .Thus the use of factor analysis will help us to search for such joint variation in response to unobserved latent variables. We can then model the observed variables as a linear combination of potential factors and that of the error terms.

 The raw data collected by this research study were factor analyzed using SPSS 21 statistical package   program to summarize the 21 variables into smaller sets of linear composites that preserved most of the information in the original data set. The data was subjected to principal component analysis, a method categorized under the broad area of factor analysis.

Table 5.2   Factor analysis results

Factor and Items	Eigen-value	Factor Loadings	Variance (%)	Cumulative Variance (%)
BANKSERV (Cronbach Alpha = 0.716)	**1.762**		**35.235**	**35.235**
The bank has convenient timings.		0.722		
As a customer, when you have a problem, you get proper response from the concerned employees.		0.638		
Each branch has sufficient number of employees.		0.616		
The behaviour of the employees in stills confidence in you.		0.550		
You are satisfied with the skill and competency of the employees.		0.389		
BANKPERS (Cronbach Alpha = 0.734)	**1.543**		**51.423**	**51.423**
Mission and vision statement of the bank rightly defines its commitment towards customers.		0.875		
The bank has clear objectives to satisfy customers.		0.705		
The brand (image of the bank) is appealing to you.		0.530		
CUSTCONV (Cronbach Alpha = 0.683)	**0.421**		**6.014**	**34.023**
The number of branches of the bank is enough.		0.612		

The location of branches of the bank is convenient.		0.578		
The general ambience satisfactory.		0.576		
Comfort level of the bank is satisfactory.		0.571		
You usually have to stand in a long queue in the bank for any transaction.		0.556		
The bank provides ATMs at several prominent locations.		0.521		
The location of the ATMs is convenient to you.		0.112		
BANKPRICPOL (Cronbach Alpha = 0.659)	**1.008**		**33.599**	**33.599**
The interest rate offered by the bank on various deposits is competitive enough.		0.778		
The rate of interest charged on the loans is satisfactory.		0.490		
The bank has a number of categories to charge its customers or to impose penalties.		0.404		
BANKCRM (Cronbach Alpha = 0.607)	**0.204**		**6.800**	**37.354**
It takes a long time to resolve your problems.		0.851		
The products and services offered by the bank are satisfactory.		0.438		
You wish to continue with the		0.036		

The 22 variables were reduced into seven principal components of as illustrated in table 5.2 above.

The factor analysis carried out three factors with eigenvalues greater than 1.0 was obtained. Cronbach's Alpha for the seven factors was above 60% each which is regarded sufficient in social scientific research (Chronbach, 1951).

The factors reached from the responses to the 22 attitude statements can be said to represent the different elements of commercial, retail banking.

Factor 1 is labelled as "BANKSERV" as it represented the components of the bank services provided. These components comprised the number of employees in relation to service sufficiency, the convenience of the timing of services, the skills and the competency of the employees, and their confidence instilling behaviour, and the response given by employees when needed.

Factor 2 is labelled as "BANKPERS". This is because it comprised all the components related to the image of the banks in the eyes of the customers. These components included the vision/ mission statements, well defined objectives aimed at satisfying customers, and the brand image.

Factor 3 is labelled as "CUSTCONV". This is labelled as it comprises of the components that is concerned for the providing customer comfort and convenience in reaching services. Naturally, these included the location and the number of the ATMs provided the number and the location of branches.

Factor 4 is labelled as "BANKPRICPOL". This comprised of the components that referred to the pricing policies of the bank. These included interest rates on loans and deposits and other fixed categories like penalties.

Factor 5 is labelled as "BANKCRM". This represented the extent of customers' relations management carried out. Components under this label were queuing times, time taken to resolve disputes, the product and services offered and finally staying with the bank despite level of satisfaction.

5.4   Descriptive statistics

Descriptive statistics from SPSS output is shown below.

BANKESRV	N	Minimum	Maximum	Mean	Std. Deviation
The bank offers office quality banking services	200	1	3	1.97	.808
The bank has convenient timings.	200	1	5	2.81	1.218
As a customer, when you have a problem, you get proper response from the concerned employees.	200	1	5	3.03	1.266
Each branch has sufficient number of employees.	200	1	5	2.79	1.235
The behavior of the employees instills confidence in you.	200	1	5	2.86	1.162
You are satisfied with the skill and competency of the employees.	200	1	5	2.97	1.236
Total				3.28	1.38

The table above shows that the total mean of the (BANKESRV) factor is (3.28) meaning the average of the answers are neither disagree nor agree and the standard deviation is (1.38).

BANKPERS	N	Minimum	Maximum	Mean	Std. Deviation
Mission and vision statement of the bank rightly defines its commitment towards customers.	200	1	5	2.95	1.194
The bank has clear objectives to satisfy customers.	200	1	5	3.20	1.140
The brand (image of the bank) is appealing to you.	200	1	5	3.07	1.288
Total				3.07	1.207

The table above shows that the total mean of the (BANKPERS) factor is (3.07) meaning the average of the answers are neither disagree nor agree and the standard deviation is (1.2).

CUSTCONV	N	Minimum	Maximum	Mean	Std. Deviation
The number of branches of the bank is enough.	200	1	5	2.88	1.262
The location of branches of the bank is convenient.	200	1	5	3.03	1.196
The general ambience satisfactory.	200	1	5	3.12	1.126
Comfort level of the bank is satisfactory.	200	1	5	3.23	1.293
You usually have to stand in a long queue in the bank for any transaction.	200	1	5	3.51	1.299
Total				3.15	1.23

The table above shows that the total mean of the (CUSTCONV) factor is (3.15) meaning the average of the answers are neither disagree nor agree and the standard deviation is (1.23).

BANKPRICOPL	N	Minimum	Maximum	Mean	Std. Deviation
The interest rate offered by the bank on various deposits is competitive enough.	200	1	5	3.00	1.154
The rate of interest charged on the loans is satisfactory.	200	1	5	2.73	1.129
The bank has a number of categories to charge its customers or to impose penalties.	200	1	5	3.04	1.118
Total				2.92	1.13

The table above shows that the total mean of the (BANKPRICOPL) factor is (2.92) meaning the average of the answers are neither disagree nor agree and the standard deviation is (1.13).

BANKCRM	N	Minimum	Maximum	Mean	Std. Deviation
It takes a long time to resolve your problems.	200	1	5	3.16	1.318
The products and services offered by the bank are satisfactory.	200	1	5	2.91	1.214
You wish to continue with the bank, as you are satisfied with it.	200	1	5	3.05	1.271
Total				3.04	1.26

The table above shows that the total mean of the (BANKCRM) factor is (3.04) meaning the average of the answers are neither disagree nor agree and the standard deviation is (1.26).

5.5   Conclusion

This chapter has depicted the findings on demographic data and the factor analysis of the results.

CONCLUSION

6.1   Introduction

This chapter depicts the theoretical and empirical findings of the study and responded to the research questions. It further explained the limitations of the study and made recommendations for future research.

6.2   Theoretical findings

6.2.1   Banks provide financial services that are diversified to offer solutions to customer's financial problems. Service is defined as a set of benefits delivered from a service provider to the service consumer. The service firm provides benefits to customers for their needs. Service quality shows the organization's ability to meet customers' desires and needs. Quality is an ability of any product to meet customers' expectations and requirements. It is a set of features, characteristics or attributes that are required or expected by the customers Service quality and customer satisfaction became core issues for the successful survival of any service organization. It contributes a lot to gain competitive advantage to maintain long-term relationship with customers.

6.2.2   Satisfaction is a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation, The customer satisfaction is indispensable for the successful survival of any organization.

6.2.3   Every banker tries to provide superior services to keep satisfied customers. Customer satisfaction is a set of feelings or outcome attached with customer's experience towards any product/service. Satisfied customer is the real asset for any organization that ensures long-term profitability even in the era of great competition. Customer retention leads to better profitability by retaining existing customers and attract new ones.

6.2.4   There are numerous studies that identify different dimensions of service quality and measures that are frequently used by researchers. These are compiled into five dimensions: tangibility; reliability; responsiveness; assurance and empathy.

6.2.5   Banking industry expanded over a number of years due to the introduction of new products and services. Both streams of banks are striving to attract the potential customers at any cost. This increased competition requires the provision of quality services to have satisfied customers for sustainable benefits. It is reported that delivery of high quality services is the key to sustain competitive advantage to have satisfied customers.

6.2.6   Banking industry expanded over a number of years due to the introduction of new products and services. Both streams of banks are striving to attract the potential customers at any cost. This increased competition requires the provision of quality services to have satisfied customers for sustainable benefits. It is reported that delivery of high quality services is the key to sustain competitive advantage to have satisfied customers also it's explored that there is direct and positive relationship between perceived quality and level of satisfaction.

6.2.7   Every organization is trying to enhance the performance of individuals for overall improvement of the whole organization. Performance evaluation enables the organization to assess its efficiency and effectiveness over a period of time by comparing with its objectives or with market leader to overcome its weaknesses. There are several criteria to evaluate the performance of banks for successful survival in the era of globalization and competition. Multiple aspects like profitability, liquidity, management performance, leverage, market share, productivity, innovation, quality of products, human resources and sales volume etc. can evaluate any organization.

6.2.8   Banking and financial services are the integral part of services industry and the contribution is increasing with the passage of time. However, expansion of global and integrated banking sector has to face many challenges of legislation, technological and structural changes, The relationship between service quality and customer satisfaction is investigated by a number of researchers across the globe. It is concluded that there is strong association between dimensions of service quality and overall customer satisfaction

6.2.9   There are few studies available in the literature that investigated the relationship between service quality, customer satisfaction and bank performance. Banks are dominant players of financial market having multiple opportunities in the recent age. It is suggested that service performance appraisal system of the organization should be improved in line with customer satisfaction in the banking sector, that satisfaction could be linked with performance because people feel satisfied when products perform according to their expectations. The expansion of the banking industry requires a study to assess the service quality offered by banks and customers' feelings regarding their experience and how it affects bank performance.

6.3   Empirical findings

6.3.1   Majority of the bank customers in the sample are male.

6.3.2   According to the sample we can say that the majority of the bank customers are less than 35 years of age.

6.3.3   Most bank customers are single, not married.

6.3.4   More than the half of the bank customers is university graduates.

6.3.5   Most the bank customers work as wage-employed.

6.3.6   The factors derived from the factor analysis carried out represented the 5 different elements of retail banking in Northern Cyprus. They included the following:

Factor 1 was labelled as "BANKSERV" as it represented the components of the bank services provided. In our finding in this factor showed that the correlation between the questions is correlated. For example the bank manager must increase the employees in all the branches of the bank and be convenient at their schedule time.

Factor 2 was labelled as "BANKPERS". This is because it comprised all the components related to the image of the banks in the eyes of the customers. In our finding in this factor showed that the correlation between the questions is correlated. That is an important point to the bank manager to take into consideration in order to enhance the image of the bank and have a competitive advantage.

Factor 3 was labelled as "CUSTCONV". This is labelled as it comprises of the components that is concerned for the providing customer comfort and convenience in reaching services. In our finding in this factor showed that the correlation between the questions is correlated. So, the manager must

provide this service in a several prominent location which is convenient to their customers.

Factor 4 was labelled as "BANKPRICPOL". This comprised of the components that referred to the pricing policies of the bank. In our finding in this factor showed that the correlation between the questions is correlated. So, that is a serious point for the managers in the bank. For example the rate of interest charged on the loans is satisfactory.

Factor 5 was labelled as "BANKCRM". This represented the extent of customers' relations management carried out.. In our finding in this factor showed that the correlation between the questions is correlated. So, employment can play important role to keep their customers satisfied for example employee must have the ability to listen to customers problems.

6.4   Research aim realized

The aim of this research thesis was to identify the factors of customer satisfaction in retail banks that would help the management of retail banks to evaluate and design marketing strategies that will improve customer satisfaction, retention and loyalty, and inadvertently increases profitability and business performance. The said factors were identified as BANKSERV, BANKPERS, CUSTCONV, BANKPRICPOL, BANKCRM, and BANKPARK as explained in section above. Their implications and recommendations are discussed in 6.6 below.

6.5   Limitations of the study

This study has been limited by its case-study nature. The findings, therefore, may not be generalized. It is recommended that future research is conducted to obtain a more generalisable result through larger sampling

methods.

6.6   Recommendations for future studies

Researchers should use the variables identified by this research to conduct similar studies with larger samples to attain more generalizable results.

6.7   Discussion

There is an escalating competition amongst the retail banks in North Cyprus. Many bank managers are concerned about their competitiveness and are seeking research results that will lead them in the right direction. This study has provided a way of measuring customer satisfaction to bank managers. Increasing customer satisfaction is a way to retain customers and retained customers affects a bank's performance.

Result extracted from the frequency tables (Table 5.1a, 5.2b, 5.1d, 5.1e). According to the result; we can summarize some demographic data and preferences. The majority of the bank customers are male. As we can see, the education level more than the half of bank customers are university graduates, most of them are under 35 years age and most of them are single.

The research has identified the components of customer satisfaction in retail banking sector in northern Cyprus on the sample of 200 customers of different bank. Factors identified by this research it will lead bank managers to right direction with high level of customer satisfaction. The factors derived represent the different elements of retail banking, which form the underlying factors from the original 22 scale response items given.

The services of the bank are the image that satisfies customer's needs and wants. Customer in the bank need special behaves and cares from the employees. They need the employee to be a problem solver. This skill will help the employee to satisfy customer needs, so performance of the bank will be better and that what the manager of the bank are looking to. In our finding in table (5.2) in factor one showed that the correlation between the

questions is correlated. For example the bank manager must increase the employees in all the branches of the bank and be convenient at their schedule time.

Nowadays customer is the manager! Yes, customers are the basic of type of work and sure bank also. Customer loyalty is very important to keep on attracting new customers and keep on the old ones. So to achieve that, the bank must be loyal with the customers with specific clear objectives and mission statement. In our finding in table (5.2) in factor two showed that the correlation between the questions is correlated. That is an important point to the bank manager to take into consideration in order to enhance the image of the bank and have a competitive advantage.

Location is an important factor to take into consideration. So, in bank branches must be convenient in a good number in good location that can be convenient and easy to be seen from the customers. ATMs machine is one of the most important services that the bank are offering. In our finding in table (5.2) in factor three showed that the correlation between the questions is correlated. So, the manager must provide this service in a several prominent location which is convenient to their customers.

There are a lot of banks, but each one has a different way of attraction, that what is called a competitive advantage. Customers are choosing their bank because of different characteristics, one of these characteristics is related to the interest rate. Some banks have competitive advantage than others just because of the lower interest rate they are giving to their customers. In our finding in table (5.2) in factor four showed that the correlation between the questions is correlated. So, that is a serious point for the managers in the bank.

The relationship between customers and manager of the bank are very important and needed. Employments are playing the role of mediator between customers and the manager. So employee must have the ability to

listen to customers problems and needs to resolve them in appropriate time. In our finding in table (5.2) in factor five showed that the correlation between the questions is correlated. So, employment can play important role to keep their customers satisfied for example employee must have the ability to listen to customers problems.

These all factors are important to achieve the manager mission in increasing the customer satisfaction that lead to increase the profit of the bank and business performance. So, the manager must provide all of these characteristics in order to keep him right direction. Also researcher should use the variables identified by this research to conduct similar studies with larger samples to attain more generalizable result.

6.8   Conclusion

This last chapter has summarized the theoretical and the empirical findings and provided answers to the research questions. It explained the limits of the study and finally offered a discussion and recommendations to future researchers interested on the topic.

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