



NEAR EAST UNIVERSITY  
INSTITUTE OF GRADUATE STUDIES  
BANKING AND FINANCE PROGRAM

# **DOES CUSTOMER SATISFACTION EXIST IN THE LYBIAN BANKING SECTOR: A STUDY IN LIBYAN BANKS**

MUNIR EDRESS ABDULSALEH

MASTER'S THESIS

NICOSIA  
2021

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MASTER'S THESIS

THESIS SUPERVISOR  
ASSOC.PROF.DR. TURGUT TÜRSOY

NICOSIA  
2021

## ACCEPTANCE/APPROVAL

We as the jury members certify the '**Does Customer Satisfaction Exist In The Libyan Banking Sector; A Study In Libyan Banks**' prepared by **Munir Abdulsaleh** defended on **27/01/2021** has been found satisfactory for the award of Degree of Master.

### JURY MEMBERS

*Assoc. Prof. Dr. Turgut Türsoy*

**Assoc. Prof. Dr. . Turgut Türsoy** (Supervisor)

Near East University

Faculty of Economics and Administrative Sciences / Department of Banking and Finance



**Assist. Prof. Dr. Ahmad Samour**

Near East University

Faculty of Economics and Administrative Sciences / Department of Banking and Finance

*Mehdi Seraj*

**Dr. Mehdi Seraj**

Near East University

Faculty of Economics and Administrative Sciences / Department of Economics

**Prof. Dr. K. Hüsnü Can Başer**

Director of Institute of Graduate Studies

## DECLARATION

I **MUNIR ABDULSALEH**, hereby declare that this dissertation entitled '**Does Customer Satisfaction Exist In The Libyan Banking Sector: a Study In Libyan Banks**' has been prepared by myself under the guidance and supervision of '**ASSOC.PROF.DR TURGUT TÜRSOY**' in partial fulfilment of the Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach and Law of Copyrights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

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Name Surname: **Munir Abdulsaleh**

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## ABSTRACT

### **DOES CUSTOMER SATISFACTION EXIST IN THE LYBIAN BANKING SECTOR: A STUDY IN LIBYAN BANKS**

The research study made an investigation of whether customer satisfaction exist in the Libyan banking sector. In order to answer the research questions, the study considered the quantitative research design so as to determine the relationships among our variables. Both primary and secondary data was considered in the study and in order to make confirmations with respect to the accuracy and validity thereof, data from different banks in Libya was collected. The study developed a conceptual model in order to investigate the influence of different dimensions of service quality with respect to customer satisfaction in retail banks of Libya. The model used bank performance as the dependent variable, while the other 5 dimensions of service quality were employed as independent variables. Customer satisfaction was used as the mediating variable, linking the dependent and independent variable. Data analysis was performed using SPSS, by employing multiple linear regression techniques and Pearson's correlation in order to determine the estimation results and residuals thereof. Normality tests were conducted to determine if the residuals are normally distributed or not and in addition descriptive statistics were also performed to understand the data better. As if that is not enough, additional tests were performed by the Kruskal Wallis H-test and Mann Whitney U-test so as to compare means. Furthermore, in order to confirm the relationship with respect to customer satisfaction subscales, a Pearson Correlation was used. Reliability was confirmed with the Conbrach's Alpha, while validity was performed by way of the KMO and the Bartlett's test. Generally, the findings suggested that service quality leads to improved customer satisfaction in Libyan retail banks. There policy recommendations were made for the Libyan banking authorities to improve the quality of their services in order to increase the satisfaction of customers. Future studies should consider the constructs employed in the study in order to replicate the study in larger samples.

**Keywords:** Customer satisfaction, Service quality, Libyan banking, Retail banking, Pearson Correlation.

## ÖZ

### DOES CUSTOMER SATISFACTION EXIST IN THE LYBIAN BANKING SECTOR: A STUDY IN LIBYAN BANK

Araştırma çalışması, Libya bankacılık sektöründe müşteri memnuniyetinin var olup olmadığını araştırdı. Araştırma sorularını cevaplamak için, çalışmada değişkenlerimiz arasındaki ilişkileri belirlemek için nicel araştırma tasarımı dikkate alınmıştır. Çalışmada hem birincil hem de ikincil veriler ele alınmış ve bunların doğruluğu ve geçerliliği ile ilgili teyitlerin yapılabilmesi için Libya'daki farklı bankalardan veriler toplanmıştır. Çalışma, Libya'nın perakende bankalarında hizmet kalitesinin farklı boyutlarının müşteri memnuniyetine etkisini araştırmak için kavramsal bir model geliştirdi. Model bağımlı değişken olarak banka performansını kullanırken, hizmet kalitesinin diğer 5 boyutu bağımsız değişken olarak kullanılmıştır. Bağımlı ve bağımsız değişkeni birbirine bağlayan aracı değişken olarak müşteri memnuniyeti kullanılmıştır. Veri analizi, tahmin sonuçlarını ve kalıntıları belirlemek için çoklu doğrusal regresyon teknikleri ve Pearson korelasyonu kullanılarak SPSS kullanılarak gerçekleştirildi. Kalıntıların normal dağılıp dağılmadığını belirlemek için normallik testleri yapıldı ve ayrıca verileri daha iyi anlamak için tanımlayıcı istatistikler de yapıldı. Bu yeterli değilmiş gibi, ortalamaları karşılaştırmak için Kruskal Wallis H testi ve Mann Whitney U testi ile ek testler yapıldı. Ayrıca müşteri memnuniyeti alt ölçeklerine ilişkin ilişkiyi doğrulamak için Pearson Korelasyonu kullanılmıştır. Güvenilirlik, Cronbach's Alpha ile doğrulanırken, geçerlilik KMO ve Bartlett's testi yoluyla gerçekleştirildi. Bulgular, genel olarak, Libya perakende bankalarında hizmet kalitesinin müşteri memnuniyetinin artmasına yol açtığını göstermektedir. Libya bankacılık yetkililerine, müşterilerin memnuniyetini artırmak için hizmetlerinin kalitesini iyileştirmeleri için politika önerileri yapıldı. Gelecekteki çalışmalar, çalışmayı daha büyük örneklerde çoğaltmak için çalışmada kullanılan yapıları dikkate almalıdır.

**Anahtar Kelimeler:** Müşteri memnuniyeti, elit, Hizmet kalitesi, Libya bankacılığı, Bireysel bankacılık, Pearson Korelasyonu.

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## **INTRODUCTION**

The financial system in Libya is very organized and consists of an effective banking system and stock-market exchange. By August 30, 2017, Libya's financial services industry was including Head Bank of Libya, Sixteen local commercial banks which still currently operate in Libya, including four specialized banks, in addition to twenty-two Arab and foreign banks (LBK, 2017). The banking sector in Libya advanced towards total efficiency, effectiveness and it was also stable by year 2017 as envisioned in Vision 2030 of Libya. Major advancements with respect to the financial sector for the period included an improved coming together for both the banking and mobile phone systems, and the share of Libya financial businesses jumped to 60% from 41% over the duration 2014-2017, respectively and this was achieved mainly through agents in the microfinance and commercial banking systems, whose business operations led to a hike of interest rates in the Libyan banking sector due to increased pressure by from global banking giants as reflected by the authorization of a multiplicity of international lending entities to operate offices in Libya, and participate in expressions for the call for proposals by most international representative offices. Adoption of state of the art technology strengthened the operations of commercial banking institutions with respect to the provision of financial products. This was reinforced by an increase in the number of foreign agents served by staff members of a certain banking institution (LBK, 2014).

### **Background**

Service providers available a multiplicity of benefits to the consumers. The financial challenges of customers are addressed by banks initiatives through the provision of its financial services. The differences with respect to real goods and services is mainly on whether they are tangible or not, where services are not

tangible for example they cannot be touched, seen or stored. Services do not last longer since one could not store them for future consumption, services cannot be divisible since they are normally fixed with their providers, and they do not have strengths and are not solid due to diversification (Parasuraman *et al.* 1985; Hoffman and Bateson. 2002).

There are a multiplicity empirical studies which identified multiple dimensions relating to quality of services. Parasuraman *et al.* (1988) have suggested that, the quality of services is as a result of customer's expectation way before the purchase and output quality. This was supported by Kotler (1996) who stated that, customer satisfaction is a comparative behavior with respect to levels of service quality performance and the consumer's expectations. Some categories of quality with respect to services adopted with respect to banking sector globally will be provided in chapter one of this research study. Parasuraman *et al.*, (1988 and 1991) crafted SERVQUAL toolkit as a measure categorizing the quality of services which are mostly employed by researchers. This toolkit contain 22 dimensions which were categorized into 5 such as tangibility, reliability, responsiveness, assurances and empathy. Satisfaction is a state of hedonism because one has achieved something it is an action of stating the needs, desires and estimations. Every client has different cost to his/her value of any services. Clients' estimations about particular services and their real value differs. The outcome showed that, clients are 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). The liberalization of the financial system and its deregulation have boosted competition amongst banking institutions in a bid to lure more potential customers.

Banking institutions which are competitive try to offer unique services to keep their customers satisfied. The satisfaction of customers involves a multiplicity of feelings and outcomes which are linked to customer's experiences with respect to products and/or service, Solomon (1996). Mishkin (2001) (Anderson and Sullivan, 1993) revealed that, financial services are an aspect which is important with respect to the services sectors and its impact is improving every time and again. Normally,

diversifications with respect to the banking sector require going through multiplicity of policy as well as technically related improvements. As Avkiran, (1994) alluded that, some relationships with respect to qualities of services and the satisfaction of customers was unmasked with a multiplicity of researchers around the world and they found that there was the existence of a positive relationship with respect to indicators of the quality of services and overall customer satisfaction. Furthermore, Mishkin (2001) alluded that, the satisfactions with respect to customers and the quality with respect to services were linked to some specific banking sectors. However, this study has not yet been carried out in Lybia especially in this modern day, hence the need to find out whether or not the satisfaction of customers exist with respect to banking sectors of the economy.

### **Statement Of The Problem**

The last 15 years have been associated with a boom in numbers of both locally owned and global banking institutions opening their offices all over in Libya; the increasing number of banking institutions have naturally increased competition among them; many of these banks are talking about concepts on customer satisfaction with little, if any, being done to measure the effects of customer satisfaction in retail banks of Libya.

### **Aims And Objectives Of The Research Study**

The major aim of the research study is providing knowledge which could assist managers of retail banking institutions to make evaluations and craft marketing plans that will increase the satisfaction of customers, retention and loyalty, and inadvertently increases profitability and business performance. Specific objectives with respect to this research study include:

- a) To determine influences of a multiplicity service quality categories on the satisfaction of customers.
- b) To investigate the ultimate effects of service-quality on retail banks performances.
- c) To provide robust recommendation to the management of retail banks in Libya so as to strengthen customer satisfaction, retention and loyalty in a

way that will increase profitability and business performance. To provide robust recommendation to the management of retail banks in Libya so as to strengthen customer satisfaction, retention and loyalty in a way that will increase profitability and business performance.

### **Significance Of The Study**

Since there is an escalating competition amongst the retail banks in Libya, many bank managers are concerned about their competitiveness and are seeking research results that will lead them in the right direction. Therefore, the significance of this study is embedded in its identification of how service quality as a major factor of customers satisfaction influence retail banks performance in Libya. This will assist managers of retail banks in Libya to put in place strong customer satisfaction strategies which will enhance the profitability and overall business performance. The research findings will also assist similar research in Libya mainly in adapting and designing measuring tools appropriate for customer retention and similar purposes. To the best of my knowledge, this is a unique contribution of this research study since no study in Libya have used measurement tools similar to the ones employed in this study.

### **Research Questions**

The research study will answer the following questions:

- a) How various categories of service-quality influence customers' satisfaction with respect to retail banks of Libya?
- b) Does service quality impact retail bank performance in Libya?
- c) Are retail banks in Libya strong enough to enhance customer satisfaction?



## Hypothesis

Two hypothesis will be tested in this research study:

- **H1:** Service-quality significantly influences customers' satisfaction with respect to retail banking of Libya.
- **H2:** Service quality significantly impact retail bank performance in Libya.

## Limitations Of The Research Study

The research study intends to make an investigation of factors determining customer satisfaction in the case of retail banks in Libya. It is a case study and its findings will be limited within the case study country selected, however, further research replicating this study on a different number of countries may generate more generalized research findings.

## Summary

In this chapter researchers presented some background to the research study, statement of the problem, aim and objectives of the research study, significance of the research study, research questions, hypothesis as well as limitations of the research study. The next sections reviews some literature relating to the impact of different dimensions of the quality of service on customers' fulfilment in retail banks of Libya.

## **CHAPTER 1**

### **LITERATURE REVIEW**

#### **1.1 Introduction**

The Chapter observes in-depth effects that service-quality has with respect to customers' feelings on their satisfaction and how in return this influences the performances of banks. It shall also highlight, the conceptual framework and the empirical review on the relationships with respect to service-quality, customers' satisfaction and the performance of banks.

#### **1.2 Services And Service-Quality**

As a service provider it is one's obligation to provide established benefits to the service customer. Generally, banks provide financial services to their clients which mainly has financial solutions to their problems. Services differs from goods in the sense that, they are intangible, perishable, inseparable from the service provider and insubstantial because of heterogeneity Parasuraman *et al.* (1985); Hoffman and Bateson, (2002). However, according to Parasuraman *et al.* (1985) valuation of service-quality is too difficult as comparing to valuations of tangible products.

According to, Hanson (2000), service-quality demonstrates the organization's capacity to meeting consumers' requirements and also their needs. This implies that, organizations need to improve their services and quality of services regularly to meeting different customers' requirements. As, Hoffman and Bateson (2002) alluded that, customers' beliefs in regards to service quality are very crucial to bank managers because it helps them in understanding and designing competitive strategies.

In their research, Galloway and Ho, (1996) reported that, quality is considered to be one of the major factors in regards to new customer acquisition and retention. Quality is the capability of a product or service to meet clients' expectations and requirements better than its competition. Furthermore, quality involves a multiplicity of features, appearances and characteristics which are expected by end user of the product or service. Looking at literature, there are a multiplicity of studies on the relationship between the service quality offered by banks and customer satisfaction.

In a study, Morre (1987) acknowledged that, when an organization concentrates on service quality, this will result in product differentiation which in turn improves the company's competitiveness and achievement of its long term goals. More so, in order for a business to survive in the long run, it should take into consideration both quality of services they are offering and to what extent are the customers being satisfied by the quality of services, Spreng and Machoy, (1996).

Service-quality became popular amongst professional and academic experts as a result of amplified competition levels. Service quality is a major contributor towards gaining a competitive advantage in order to maintain customer long term relationships (Zeithmalet *al.*2000). There are a couple of views regarding service quality which are either European or American. The researchers in Europe focused on functionality and technicality features of services with a major interest towards examining the image of the organization, Gronroos, (1982, 1984); Lehthinen and Lehthinen, (1982). These researchers focused mainly on 3 categories of service-quality in order to determine the performance of products; namely, the functionality qualities, technicality qualities and also company images. They consider the quality of services to be a difference with respect to estimated and apparent services and this was supported by Gronroos, (1982) who stated that the quality of services is the product of client's evaluation with respect to expectation and actual performances Whereas, American perspectives are concentrated on functionality qualities as a measurement of service performances Parasuraman *et al.* (1991). These researchers made empirical investigations with respect to the quality services in various entities by categorizing service-quality into 5 categories namely, tangibility, reliabilities, responsiveness, assurances and empathy. In the

first instance, they recognized ten categories of service quality, however these were further developed into 5 groups (Parasuraman *et al.* 1991).

Parasuraman *et al.* (1988) alluded that, service-quality is the clients' overall assessment with respect to service expectations and service performance. They took into consideration customer's views with respect to their supposed qualities of service and compared them to some expectations before purchasing a service. Woodside *et al.* (1989) mooted about service-quality as representing responses to various questions for example, what are customers' expectations?, What is delivered? Finally, is there any difference?

According to Asubontenget *et al.* (1996), service-quality can be defined as the differences as per expectations of customers with respect to services before using it and perception after using the service. The quality of a service varies from one person to another and it depends on its importance and to what extent the customer is satisfied. As an example, certain activities such as raising speed on the processing of information led to pleased customers. In the same way, improvements with respect to consistency of equipment have reduced customer dissatisfaction Johnston, (1997). However, Gefan, (2002) stated that, service value is subjective because it's just an assessment with respect to what the customers' needs and what they actually gets.

báñez *et al.* (2006) made an investigation of the categories of service quality and found out that, service quality have a huge impact on the satisfaction of customers in Spain. Moreover, a research study, examined some conceptual frameworks for the purpose of measuring the quality of services from the perspective of customers and conducted empirical tested for the existence of convergency, uni-dimensional and also reliability tests (Saravanan and Rao, 2007).

### **1.3 Dimensions of Service Quality**

There are numerous studies that identify different dimensions of service quality. Table 1.1 below shows various dimensions of service quality employed by banks across the globe.

**Table 1.1:** *Dimensions of Service Quality used in Banking Sector*

	Year	Author(s)	Dimensions of service quality
1	1982	Gronroos	Technicality qualities, functionality qualities, company image
2	1982	Lehthinen and Lehthinen	Physical qualities, Company qualities and Interactive qualities
3	1984	Gronroos	Advanced on preceding works and elaborated service quality in 3 forms
4	1985	Parasuraman <i>et al.</i>	Reliability, understanding, responsiveness, tangibility, courtesy, competence, access, credibility, communications, securities
5	1987	Morre	Service-quality results in variation and boost competitive position
6	1988	Parasuraman <i>et al.</i>	Improved their past work of 10 categories of service-quality to 5 dimensions only such as reliability, empathy, responsiveness, assurance, empathy
7	1990	Gronroos	Discovered 6 forms of service-quality such as attitudes and behaviors, skills and professionalism, accessibility and flexibility, reputation and credibility, reliability and trustworthiness, recovery
8	1991	Parasuraman <i>et al.</i>	Improved 5 categories of service- quality and then replicate in 3 service sectors
			namely banks, telephone servicing and insurance, and formulated the last version of SERVQUAL
9	1992	Cronin & Taylor	Established SERVPERF and equate it to SERVQUAL
10	1994	Avkiran	Crafted 4 factor-scale which comprises 17 items for measuring Service-quality

11	1995	Johnston	Recognized 18 categories with respect to service-quality which are aesthetics, attentiveness, availability, care, cleanliness, access, Coziness, commitment, communication ability, courteousness, kindliness, suppleness, functionality, truthfulness, security, reliability, and responsiveness.
12	2000	Oppewal and Vriens	Explained 28 features for measuring Service-quality
13	2000	Bahia and Nantel	Crafted 6 categories of service-quality which consisted 31 items
14	2002	Sureshchander <i>et al.</i>	Introduced 5 categories of service-quality which consisted of 41 items scale.
15	2005	Malhotra <i>et al.</i>	Employed 10 categories for measuring service-quality

Parasuraman *et al.*, (1988, 1991) crafted a SERVQUAL toolkit as a measuring instrument for categories of service quality and this is usually applied by different researchers in their projects. The instruments consisted of 22 items which are categorized into 5 factors namely, tangibility, reliability, responsiveness, assurance and empathy. The research study employed 5 categories of service-quality as alluded below:

**Reliability:** It is a measurement which indicates performance and dependability of services through consistency.

**Tangibility:** This indicates physical features of services, for example, tangible facilities, appearances of people and equipment employed in the provision of a service.

**Responsiveness:** This mirrors enthusiasm that the staffs has in providing quick and swift services to their clients.

**Assurance:** Such a dimension shows the knowledge that the employees have, as well as their ability to integrate confidence and trust while executing their work with great courtesy.

**Empathy:** It demonstrates the extent of individual attention and level of caring that consumers are given.

Researchers such as Malhotra *et al.* (2005) studied variation with respect to perception of service-quality categories in respect of developing and developed economies. The findings revealed that in economies like India and the Philippines the findings regarding customer perceptions were thoroughly and expressively varied. However, another research study found out that empathy was the least favored category of service-quality by clients for most commercial banking institutions in Malaysia Tahir and Abu Bakar, (2007).

Another research study by Parasuraman *et al.* (1991) showed that, reliability is mainly concerned with service outcomes whilst other dimensions are linked to service processes. Leeds (1992) conveyed that service-quality principally relies on direct contacts with the bank's service personnel. It also was revealed that, about 40% of clients transferred from their current banks as a result of bad service and almost all of banking clients assigned some greatest choice to the courtesy of the bank teller. In addition, clients for private banks have greater expectation and insights comparable to customers from public banking institutions in Greece, Kangis and Voukeates, (1997).

According to Longo (2000), in order for bank managers of banks to acquire some competitive advantage in a particular market, they need to invest more in quality service improvements. However, the findings of such efforts are little and in some instances even slow because customers' insights of service quality are highly based on the values and beliefs of each customer, which are different from one culture to the other (Furer *et al.*, 2002).

More so, Gounaris *et al.* (2003) carried out a study for the banking sector quality of service of Greece and findings from his studies managed to establish the various magnitudes to which each aspect in service quality influences the satisfaction of the customer. Other studies also showed that, technologically related factors of service quality hold a better level of significance in comparison with human aspects in the Indian banking sector service quality (Sureshchander *et al.*, 2003). Iglesias and Guille'n, (2004) alluded that, there exists a significant positive relation with respect to perceived service-quality and the degree of client satisfaction. On

the other hand, it was revealed that due to a huge gap in the empathy dimension of service quality, majority expectations of bank customers could not be met. Yet another study also established that, assurance has substantial effect with respect to the satisfaction of customers especially in banking sectors Arasli *et al.*, (2005).

In addition, Jabnoun and Khalifa (2005) proposed some measurement for the quality of service and verified it on normal banks and also on the Islamic banks in the United Arab Emirates. The duo revealed out that the 4 categories namely personal skills, reliability, values and images were important with respect to the case of conventional banking institutions. However, personal skills and values had a noteworthy impact on Islamic banking institutions. In the same way, service quality was also investigated in some research study for 300 banking clients in Thailand and the findings from the research study denoted that, the ability of offering a service, consistency and permanency are the major factors of banking quality of services.

Al-Hawari and Ward (2006) further adds that the satisfactions of customers have an intermediation role with respect to the marriage in financial performance and quality of service in the Australian banks. Moreover, an evidence based research study was carried out focused on United Arab Emirates banks to empirically make an investigation of service excellence depicted a positive and significant relations with respect to service quality and the satisfaction of customers (Liang and Wang, 2006).

In an empirical analysis that was done by Glavell *et al.* (2006) on customers from 5 Balkan economies which included Greece, Bulgaria, Albania, FYROM and Serbia. The research study discovered that, customer perceptions towards service quality offered by banks varied significantly from one country to another. Overall, Greek clients have the highest perceptions in regards to service quality. Subsequently, Ahmad and Zairi, (2007) proposed that, the quality of service needs to be ensured by the application of exclusive systems for quality management in the sector of banking.



It is also evident that, service quality of consumers is influenced by many factors like technology, politics, society and environment. Another study observed the comparison between banking sectors in Greece and Bulgaria. The comparison concentrated on the quality of different services the banks offer. The study also offered a suggestion that, there is a variance in the imagination of the level of service quality between the studied countries customers. Conclusions showed that, Greek customers had higher levels of service quality insights than those of Bulgarian customers (Petridou *et al.*, 2007).

Consequently, the perception of customers concerning the quality of the provided service can also be influenced or affected by many features that may be demographic such as gender. Spathis *et al.*, (2004) generated an assumption that, the gender has effect on the perception of customers about the quality of service in the division of banking.

#### **1.4 Customer Satisfaction**

Generally, satisfaction or fulfillment is regarded as a sense of pleasure after an individual have attained something or have accomplished something (Solomon, 1998). Satisfaction is a process which involves meeting one's needs, desires and demands. Every single customer usually matches the price or cost with the profit or value of any services or products. They also make an assessment of their expected return from a service or product and the actual profit realized. Such a comparison from various consumers results in three different kinds of clients which are dissatisfied or disappointed customers who have more expectations than real outcome of the service, satisfied or happy customers who believes that the real profits achieved from services are equal to or even more than their expectations and the third kind are indifferent or uninterested customers whose expectations and real performance outcome of the service are precisely the same.

In addition, Kotler (2000) clearly defined satisfaction as an individual's feelings of either pleasure or disappointment after one has compared products or services' perceived performance against his/her expectations. Westbrook (1981) suggested that, total satisfaction is a result of consumers' assessment from a multiplicity of experiences which are related with the specific service provider. However, others

stated that, satisfaction is an expression of customers' beliefs with regards to fair treatment (Hunt, 1991). Furthermore, it was also suggested that, the organization's concentration on customer expectations results in greater satisfaction (Peters and Waterman, 1982).

Over the years, customer satisfaction have become an essential factor in the banking sector because of the continuously increasing competition and how it helps in determining and maintaining the bank's competitiveness (Haron *et al.* 1994). Therefore, for banks to remain competitive in the business, there is need for continuous methodical quantity of satisfaction levels (Romano and Sanfillipo, 1996; Chitwood, 1996; Chakravarty *et al.* 1996). However, taking into consideration that, satisfaction is a decision that is done after purchasing that which is connected to a definite decision of purchase, client fulfillment is crucial for the success or endurance of any business (Churchil and Suprenant, 1982).

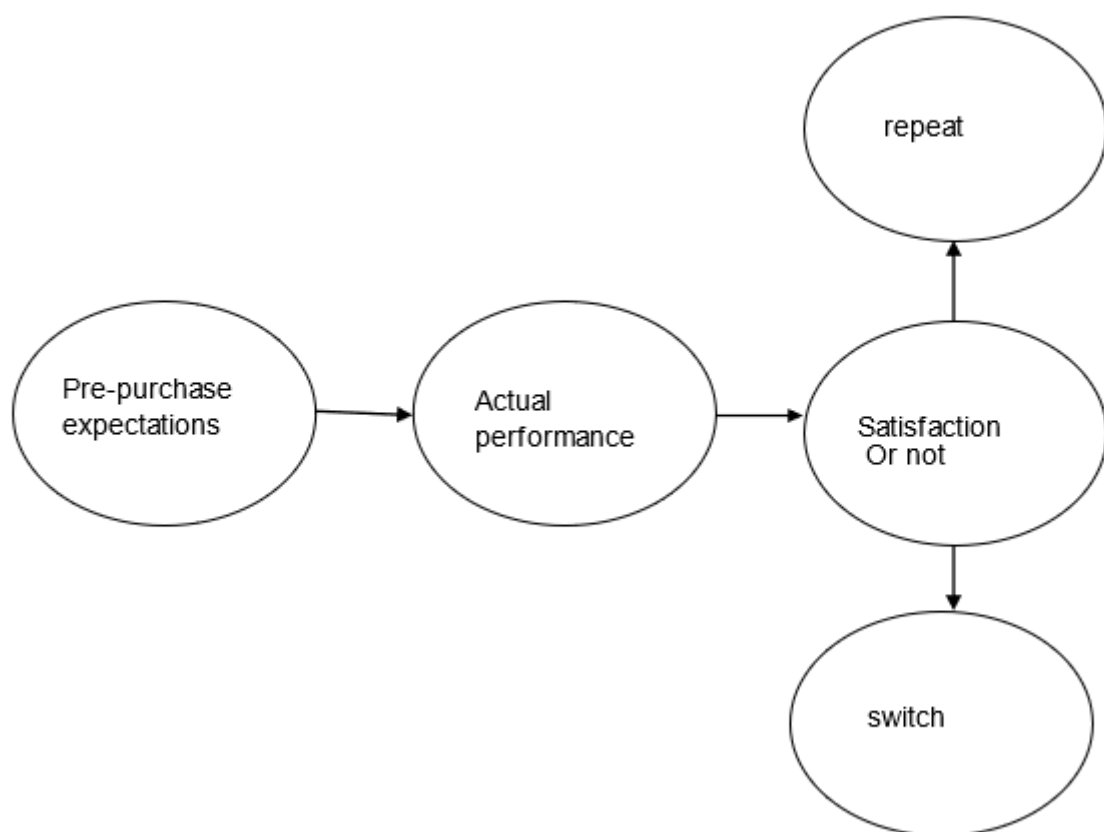
### **1.5 Customer Satisfaction In The Banking Sector**

Due to the increase on the liberalization of financial sector and the competition of deregulation amongst banks, hence there is need to keep regular customers satisfied whilst attracting new and potential clients. In order to remain competitive banks try to keep their customers satisfied by offering them superior services all the time. Customer satisfaction comprises a set of feelings linked to customer's experience in relation to any product or service (Solomon, 1998).

According to, Yi (1990) customer satisfaction is the collective result of awareness, assessment and psychosomatic reflection of consumers when they make use of any amenity. There are numerous research papers which tried to measure the satisfaction of customers with respect to banking sector services (Brenhardt *et al.*, 1994; White, 1994; Anderson *et al.*, 1993; Holliday, 1996; Dispensa, 1997; Bedal and Power, 1995). However, taking into consideration all these studies, one can depict that, they were done more than a decade ago, therefore another reason to look at this relationship again especially in these technological and evolving times.

Dispensa, (1997) considers a satisfied customer to be the real asset of any company. This is because a satisfied customer is a loyal consumer and therefore

ensuring long-term profitability of the organization even under conditions of immense competition. The study, found out that, a satisfied buyer repeats his/her experiences by buying the same products and also create new customers for the organization through communicating of an optimistic opinion or message about the products to other customers. From the other side, unhappy customer is not only able to find another alternative services or products, but they can also transmit a damaging message to other clients therefore influencing the decision of new and potential clients as illustrated below in Fig 2.1. Therefore, business organizations should make sure that, customers are satisfied as regards to their goods and services in order to maintain their image and competitiveness in the business (Gulledge, 1996).

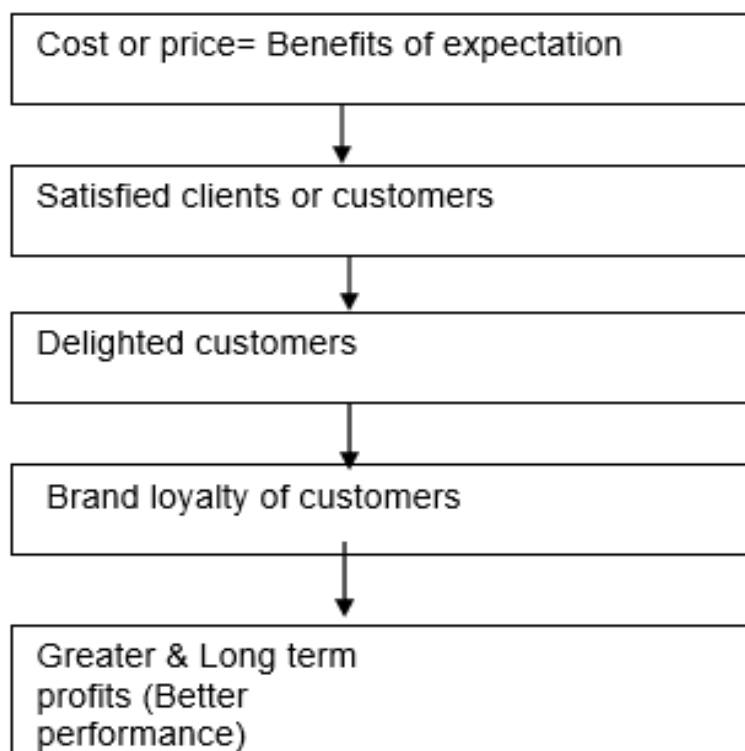


**Figure 1.1:** Expectation-outcome experiences of customers.

Figure 1.1 illustrate customer reaction depending on the level of satisfaction whereby a customer can either repeat using the same product/service or rather switch to another service/product. Considering that customer satisfaction leads to

improved profitability through retaining of existing customers and attracting new ones, every organization sets aside a reasonable amount of money towards improving their services so that they can have satisfied customers which ultimately create a sense of brand loyalty.

The sequence or structure of client satisfaction with respect to delighted customers, satisfied customers, and finally loyal customers can be illustrated as the below Figure 1.2.



**Figure 1.2:** Customer Satisfaction for better Performance (generated). Nonetheless, Cheng *et al.* (1996) suggested that, when organizations convey an impressive meaning about their product mix and transmit it to their customers, these organizations are not to exaggerate while conveying their message as unrealistic assurances could lead customers to become dissatisfied with the offered service or sold product. In financial foundations customer satisfaction has become the center of organizational efforts in order to remain attractive and earn better profits since there is too much competition and customer expectations are always changing.

## 1.6 Determinants of Customer Satisfaction

The introduction of new products and services over the past few years have resulted in the expansion of the banking industry. Moreover, through the establishment of new and better banks, competition have increased and it is every organization's agenda to attract additional new and potential clients at any cost. This have led to the escalation of competition in the industry which demands the provision of not only better but also high quality amenities to gain happy customers for maintainable profits. It is conveyed that, supply of high quality services is the way to reaching and sustaining a competitive improvement (Shemwellet *et al.*, 1998). Customer satisfaction is important to the realization of better profitability, bigger market shares and additional returns on investments. (Hackl and Westlund, 2000), hence, it is a prerequisite in order to retain customers to generate economic benefits.

Customer satisfaction is a multidimensional paradigm which needs a scale that has got many items to measure it in the correct way. Researchers are in agreement with the customer satisfaction nature that is multidimensional and they measure it based on that agreement (Crosby and Stephens, 1987).

In their study, Cronin and Taylor (1992) measured the customer satisfaction using a scale of single item. In their study, they requested clients to express the level of their satisfaction based on only a one facility experience. However, thier method was not effective because of high focus on only one factor and neglecting the other factors.

In another study, customers' total satisfaction was examined by employing a scale composed of four items for each service supplier (Bitner and Hubert, 1994). Another model has proposed a five item scale to test the satisfaction of clients by (Shemwellet *et al.*, 1998). In the same vein, customer satisfaction was also explored in the banking sector through a six-item scale (Prince *et al.*, 1995).

Sureshchander *et al.* (2002) have proposed the use of 41 items scale to measure the level of customer satisfaction. These items were initially categorized into five

main categories. The researchers have studied the marriage between quality of service and client satisfaction in the sector of banking. They mooted five main categories of client satisfaction which are service product or what they called service product, a non human category they called service delivery systematization, social responsibility, tangibles of service and finally the human element of service delivery.

As if that is not enough, customer satisfaction is considered to be the overall or cumulative effect of the feelings of the client about the experience they have had after receiving a service or buying a product. Some research studies claims that, companies such as banking establishments need to emphasize on client satisfaction because it will lead them to come back and purchase the service. The repeated purchase behavior is very important for the success of the long term businesses. An empirical research study by Kayis, Kim and Shin, (2003) stated that, the relationship between the quality of perceived service quality and the customer satisfaction with other variables in the Australian and Korean banks.

Metawa and Almosawi (1998) explored the Omani Islamic banking performances of customers by collecting the data of about 300 clients. Their research study was aimed at finding satisfaction levels and awareness among Islamic banks clients. Their approach considered the demographic data of banks and customers. They found out that, majority of the clients were satisfied by the services and products being offered by the Islamic banks. However, they also recommended that banks should develop more professional approaches and increase their competency to keep their beneficial relations with their clients.

206 respondents sample from Jordanian Islamic banking sector was used by (Naseer, Jamal and Al-Khatib, 1999) to investigate customer satisfaction and customer awareness. This research study focused on the consequences which customer satisfaction have on customers' behavioral. The trio's findings reflected a stronger effect of customer satisfaction especially in regards to, stay with existing service provider, while restraining their negative behavioral intentions. Another research study also depicted a positive relationship between customer satisfaction and word of mouth communication (Athanassopoulos *et al.*, 2001).

Khalifa and Liu (2003) mentioned that, satisfaction can be normally examined using the difference with respect to professed performance and thought such as desires and expected outputs. There are a multiplicity of factors which leads to client satisfaction among which the quality of service is a major element. It was mooted that, to retain your customers for more profit you need to ensure the maximum client satisfaction, increased market share and high returns on investments. It was further suggested that, the quality of service acts as response to look like client satisfaction. It was further alluded that, satisfaction of customers creates different consequences out of which comes the repetitive purchase of a service or product; in addition to long term profit, faithfulness of customer, and positive word of mouth (Wirtz, 2007).

According to (Gustafsson, 2005), customer fulfilment or satisfaction can be demarcated as the total evaluation of a service or product quality by the customer. He explained that, the loyalty of the customer is a direct result of customer satisfaction. Thus, customer satisfaction has a very important positive effect on the client loyalty especially when speaking about a wide range of products and services. It was revealed that, the relationship between the level of fulfillment and the respect to perceived quality. The authors also stated that, adoption of a trustworthy behavior and proper communication of information can help the banks to achieve customer satisfaction. Other suggestions to achieve this satisfaction included but were not limited to rapid resolution of conflicts, improving the relationships with customers, and commitment to offer services of higher quality (Nelson and Chan, 2005).

Another research study by Ting (2006) made an investigation into the consequences and effects of the customers' fulfilment in the Malaysian banking division and exposed the existence of a relationship of U shape with respect to customers' awareness of the positive word of mouth and the feeling of satisfaction in the presence of changing possessions. Structural or Operational equations modeling (SEM) is a tools used statistically to be employed in measuring the satisfaction of customer. 220 customers from 15 different retaining banks were

chosen to conduct this study. The research has concluded that customer satisfaction in total is the best index of the quality of relationships with customers. Communication, trust, service quality, commitment, handling of the service were the major categories for client satisfaction (Nelson, 2006).

In the same vein Cohen *et al.* (2006) made an investigation to measure the levels of customer fulfillment in the New Zealand banks customers. The results found revealed that, the satisfaction of customer is a very important factor that affects most of the customers' choices. The educational level and the age of customers were found to be contributing to their decisions, whether to stay with the current bank or to consider going to another bank. It was clear from a study of 230 bank client that, awareness and consistency revealed the highest effect on client fulfillment in the USA (Lopez, Hart and Rampersad, 2007).

Another investigation of client fulfillment in retail banks was made by (Molina, Martý and Esteban, 2007) and with help of an evidence based examination. 204 customers from retails banks were taken to build the used sample of study. The study has shown the straight connection between the confidence benefits and the customer satisfaction. According to Norizan and Nizar (2007), observed quality of service along with customer satisfaction are the main basis for retaining in the UAE banking sector. Another research has also revealed that, in UAE the customer satisfaction is a very important for expansion of retail banking. It was also found that the relationships between supplier and customer are crucial for the delivery of high quality services in the banking sector and to achieve loyalty of customers which leads to a long term relationship (Ndubisi *et al.*, 2007).

### **1.7 Bank Performance**

An organization is a structured body which is created in order to attain precise objectives. It incorporates human, physical, and financial resources in addition to information which are put together in order to meet specific goals. Business organizations are originally created for the purpose of making a profit while doing or performing lawful works. Banks are also business organizations which provide a multiplicity several services and specific products for the sake of financial profit. A bank is an organization since it is goal focused, limited by boundaries and publicly



built systems around general human activities (Aldrich, 1979). Most organizations try to increase the individual's performance in order to increase the overall performance of the organization. The evaluation of performance allows an organization to test its productivity and usefulness for a given duration through comparing with its goals or by comparing to other competitors to deal with its weaknesses. Researchers globally considered many indicators as measures of performance of organizations (Dess & Robinson, 1984).

There are many ways which are employed to measure the performance of banks so as to ensure their successful existence in the face of strong competition and globalization effects. A multiplicity of features such as productivity, liquidness, performance of management, market share, leverage, efficiency, and innovation, product quality, human resources and sales volume can be employed to evaluate any organization.

Tvorik and McGivern (1997) made an investigation of organizational performance by making a comparison with respect to economic and organizational factors. This duo made a conclusion that, organizational features had effects on the benefits more than many other economic factors. Popular and successful administrations known the role of measuring the performance practices. Organizational performance could also be assessed through resource-based view as explored by a multiplicity of researchers (Wernerfelt, (1984).

It is also revealed by the existence of a multiplicity of different available sources of literature. Organizational performance, market orientation, productivity of human resources, organization learning, quality improvement, and many other factors could be somehow related (Banker and Sinkula, 1999; Day, 1994; Santos-Vijande *et al.*, 2005).

The organization's knowledge, understanding, and awareness with consideration of customer requirements and expectations could be revealed through organizational performance (Kohli and Jaworski, 1990; Deshpande *et al.*, 1993). It was alluded that, an association can rise the satisfaction of its customers so as to improve profitability, increased sales volumes which ultimately leads to improved

long-term benefits performance (Baker and Sinkula, 1999). Generally, organizational performance is usually evaluated through the implementation of financially related processes. There are different research studies which employed non-financial methods for assessing the performance and efficiency of organizations (Quinn and Rohrbaugh, 1983; Venkatramanand, 1986). It was further suggested that, four models such as human relations; internal processes; open systems and rationale goal model could mirror organizational performance (Quinn and Rohrbaugh, 1983).

In 1998, Wheelen and Hunger claimed that, the suitable measures of organizational performance related tightly to the goals of the organization like the profitability. It also relates to the market share and strategies of reduction of cost. These measures have their effects on the objectives of the organizations and can affect their benefits and performance. Financially related pointers such as the investment return, earnings per share (EPS) and returns on equities (ROE) are employed by many organizations to produce a valid assessment tool of their performance.

Profitability of the organization is measured by assessing the revenues on investment as indicators. From another side, operating cash flows and investment capital returns are employed to assess the corporate performance (Sorenson, 2002).

Rashid *et al.* (2003) have measured the financial performance of the organization throughout the application of indicators that are financially related like returns on assets, returns on current ratios and investments. Financial ratios are indicators of the organizational financial performance through an assessment of financial statements as revealed by liquidity, profitability, asset utilization, growth ratios and leverage (Ho and Wu, 2006). The relationships with respect to organizational innovation and performance was investigated through the application of returns on sales, returns on assets, returns on equities and market-to-book ratios (Kuo and Wu, 2007).

### **1.8 Service Quality And Customer Satisfaction In Banking**

According to Mishkin (2001), banking and financially related amenities are an key component of the services industry and its contributions are increasing as time goes. However, the growth of global and integrated banking sectors have to witness numerous defies of regulations, technologically and structurally related changes (Angure *et al.* 1999). The nexus with respect to quality of service client fulfilment was explored by a multiplicity of researchers globally. It was concluded that, there is stronger relationship with respect to the scopes of the quality of services and overall client fulfilment (Anderson and Sullivan, 1993). It was also revealed that, the banks business have a stronger linkage with the quality of service and client fulfilment (Avkiran, 1994).

As if that is not enough, Levesque and McDougall (1996) have made an investigation on the impact of major determinants of service quality on customer satisfaction in financial institutions. Their findings have revealed substantial impacts of service issues on customer satisfaction and their intentions to change service providers. It was suggested that, service quality is an important determinant of customer satisfaction.

On the other hand, in retail banking, Yavaset *et al.*, (1997), and Bahia and Nantel (2000) constructed another service quality measurement scale. These researchers constructed BSQ to be compared later with SERVQUAL. They revealed that, the dimensions of BSQ are highly consistent than the dimensions of SERVQUAL. Further, another research study in private banks compared SERVQUAL with functional and technical quality of services. The results of the comparison showed that, the model of technical and functional quality performs better (Lassar *et.al*, 2000). A survey on 801 different clients has been carried out, it was revealed that, opinion of clients concerning the quality of service varies accordingly with demographic characteristics (education, income rate, ethnicity, and gender) of the sample (Urban and Pratt, 2000).

A research study by Oppewal and Vriens (2000) empirically investigated relationships with respect to service quality and customer satisfaction through employing the original SERVQUAL instrument which had 10 dimensions as crafted

by Parasuraman *et al.* (1985). The research study gave a way of relating service quality and customer satisfaction. Service quality have become important as time goes, as a result of increased competition among service providers around the globe. Investigations were made as to how customer satisfaction impacts on the customers' behavioral consequences. The research study revealed stronger impacts of customer satisfaction on their decisions to keep their existing service provider; and calm down their negative behavioral intentions, (Athanasopoulos, Gounaris and Stathakopoulos, 2001).

Kayis, Kim and Shin (2003) launched a comparative analysis of Australian and Korean banking institutions to investigate quality management practices and its outcomes. The trio have exposed a stronger relationship with respect to perceived service quality and customer satisfaction. These researcher made a suggestion that, organizations should give their attention to service quality as an important ingredient to customer satisfaction in order to realize longer-term benefits and business success. Recently, banking institutions have recognized the role played by service quality for successful survival in today's global and highly competitive business environment (Wang *et al.* 2003).

In another research study, Jamal (2004) made an investigation of client comportment and behavior in the sector of retail banks. He conducted his investigation bearing in mind quality of service and its consequences. He concluded that, clients have varied experiences and opinions about fulfilment and dissatisfaction while using different technologies such as self-services. The economic division have with the time developed consciousness and become more aware of the evaluation of the performance of an organization. It has become more confident and able to relate the customer satisfaction and expectation with the quality of the provided service. Many researches have proved the existence of positive correlation between customer quality of service and financial performance. This result was presented and concluded by (Duncan and Elliott, 2004).

In addition, Curry and Penman (2004) suggested that, in order to compete in the banking division, there is no way to avoid improving service quality. The authors claimed that, in order to keep your customers for a long relationship with maximum

profit, you need to improve the quality of your services and offer the appropriate customer services.

Therefore, banking divisions need to keep higher level of their services to stay within the expectations of their customers. This is applicable if the banks afford the required allocation of all possible resources to maintain good services. Appropriate procedures needs to be activated by financial companies to evaluate the satisfaction of their clients and to meet their expectations. On the other hand, the changing nature of the market in addition to the dynamic needs and expectations of the clients must be always under the process of evaluation by financial sector to be able to react with these variables to keep the best profit (Joseph *et al.* 2005).

Moreover, Jabnoun and Khalifa (2005) made a proposal and verified some features of client service quality to make a comparison with respect to UAE traditional and Islamic banking division. Their study concluded that, there are four main features or dimensions that are the most important. The four significant factors were important for conventional banks; while in Islamic banks, service quality was determined only by personal skills and values. This study has also shown that the relationship between the customer and the bank exists for both satisfied and unsatisfied customers. The two kind of clients expressed totally different feelings with regards to their experience and expectation of the provided service (Nelson and Chan, 2005).

Furthermore, Al-Hawari and Ward (2006) revealed that, client fulfilment shows an intermediation part in the nexus with respect to quality of service and banks financial activeness. From another survey, total client fulfilment was examined in the banks of Malaysia by way of collecting information from 220 clients from 15 different banks. The findings of this survey revealed that, total client fulfillment is one of the main factors of connection quality (Nelson, 2006). It is then recommended that, banks need to rollout programs to ensure improvement of service quality so as to improve customer satisfaction and loyalty of customers (Razaket *et al.*, 2007).

### **1.9 Service Quality, Customer Satisfaction And Bank Performance**

There are very few research studies available in past literature which made investigations on relationships which exists among customer satisfaction or expectation, service quality, and performance of the bank. Taking into consideration that, banks are the main actors in the financial markets, it was mooted that, service performance assessment system of banking institutions should be upgraded in lieu with customer satisfaction (Kayis, Kim and Shin, 2003). Financial performance of banking institutions can be assessed using a conventional methods of accounting and also modern measures of risk and expected returns (Duncan and Elliott, 2004).

According to researchers Swan and Combs (1976), fulfilment and performance can be connected together because people feel the fulfillment whenever their product serves them the way they were expecting or even better; conversely, dissatisfaction can be experienced if the obtained performance out of a product is less than what they were expecting. Other researchers expressed that, due to lack of knowledge about customers' expectations, most service entities expresses bad performance. There are a couple of research studies which examined a direct positive relationship with respect to service quality and profitability (Zahorik and Rust, 1992).

Furthermore, Heskett *et al.* (1994) expressed that, there is a positive relationship between profitability and service quality. Therefore, banking institutions need to emphasize on service quality and customers' feelings with regards to their experience and how it affects bank performance. In addition, Leeds (1992) reported that, an improvement in service quality and professional behavior leads to higher customer satisfaction and improved customer retention. The research study made a suggestion that, customer satisfaction impacts on customer loyalty positively and this leads to increased profitability. It was then concluded that, customer satisfaction contributed to profitability, so banking institutions should give attention on each customer in order to maximize their profits (Hallwell, 1996).

In addition, the success of a bank depends upon customers' willingness to stay with them (Ennew, 1996). Newman and Cowling (1996) considered service quality

in retail banking through making comparisons of two banks in the United Kingdom. The duo alluded that, service quality is important for banking institution because of the linkages among quality, productivity and profitability. These researchers further mooted that, service quality assists in the reduction of costs. It was also lamented that, the performance of banking institutions can be assessed as how they create and retain relationships with potential customers. In another research study, it was concluded that, the successfulness of banking institutions can be assessed through implementation of service quality programs in order to retain customers as satisfied with services (Yavas, and Shemwell, 1997).

A research study by Starkey, Williams and Stone (2002) made an examination of Malaysian performance of customer management. The implemented assessment compared the Malaysian banking sector with the other economic sectors. The findings from the trio revealed that, the performance of customer management sector was poorer in insurance division and retail banking division when compared to the other economic sectors in the study. In another study, a sample of 1000 customers from Malian retail banking sector were inspected. The study concluded that, customer satisfaction had a mediating role in between the loyalty and service quality (Caruana, 2002). In the same vein, service quality have a significant impact on the reputation of banking institutions (Wang *et al.*, 2003). It was further alluded that, there was a significant relation with respect to service quality and financial performance (Duncan and Elliot, 2002).

A research study by Jabnoun and Al-Tamimi (2003) studied the UAE commercial banking institutions service quality via the implementation of a modified SERVQUAL. The research study revealed three reliable and valid categories, such as, human skills, tangibles and empathy. In a similar manner, another research study has concluded that, business organizations need to pay more attention for customer satisfaction and service quality. The study proposes that, this condition is very essential to increase organizations market competitiveness and to succeed in their long term business (Kayis, Kim and Shin, 2003).

Furthermore, in India, service performance, quality, and performance triad were all used by (Mukherjee, Nath and Pal, 2003) to assess the banking services

efficiency. This research findings unleashed that, there is the existence of some relationship with respect to resources, service quality and performance of banking institutions. Service customers analyze a multiplicity of features of services to reprise their experiences in the upcoming. It was exposed that, superior profitability can be achieved as result of better delivery of services (Kotler, 2003). It was also found that, customer fulfilment mediates the relationships with respect to the effect of word of mouth and justice in the banking division (Maxham, 2003). Islamic banking practices in developing countries contributed to the minimization of risks and also inflation. The research study reached a conclusion that, profit and loss sharing options are very lucrative for banking institutions. Equity related ventures assist banking institutions to lower risks and monitor costs (Ghannadian and Goswami, 2004).

As if that was not enough, Gao, Jia and Zhao (2006) investigated service quality and attributes thereof so as to measure the performance of retail banking institutions in China. The trio performed some statistical analysis of the national survey so as to identify existing challenges and find solutions to strengthen service quality and customer satisfaction for six major local banking institutions in China. The trio made suggestions that, the provision of better service quality as compared to competitors can lead to satisfied and loyal customers for greater benefits.

Another empirical study, Gritti and Foss (2007) made an investigation of the relationships with respect to customer satisfaction and loyalty and its effects on profitability in the Italian banking system. According to their study, the duo revealed that, customer satisfaction leads to loyalty which will then result in direct impact on financial and non-financial customer value. It was further alluded that, banks' efficiency and shareholders' value are mainly contributed through customer satisfaction scores which are also influenced by an adjustment of branch locations for customer service. Customer satisfaction scores also increases bank efficiency through reduction of the divergence in efficiency scores (Tripe, 2007). Finally, in another study, the quality of service and the performance of the bank were assessed in Jordan. The study was based on a community sample of 346 people. The results of the study has shown that, the quality of service has a direct effect on the performance of the bank (Akroush, 2008).



### **1.10 Chapter Summary**

This chapter have assessed and covered the effect of multiple features of quality of services on the feelings of customers. It has also explored the relation between provided services and satisfaction levels of customers in addition to the influence on the bank performance. Different previous researches have been presented and discussed in this chapter to compare their outcomes. The next chapter will be dedicated for the study of service quality, bank performance and customer satisfaction model. This model will be used to define different features of service quality in the Libyan banking division.

## **CHAPTER 2**

### **METHODOLOGY**

#### **2.1 Introduction**

The chapter provides a guideline on how the study was conducted, the tests which were performed and data collection techniques which were employed by the researchers. The study utilizes both primary and secondary data in displaying how the different categories of service quality impact customer satisfaction in retail banks. The study uses the Kruskal Wallis H test and Mann Whitney U test to compare the mean scores of the independent variables and dependent variables. Furthermore, a Pearson Correlation was executed to verify the relationships with respect to customer satisfaction subscales.

#### **2.2 Research Design**

Wegner (2000) expresses a research design as a plan, structure or strategy of enquiry employed to get information needed in answering a set of research questions. This was also supported by Saunders, Lewis and Thornhill (2012) who argued that, a research design is a strategy of how research questions can be answered by elaborating the objectives and specifying data sources from where and how data will be collected for analysis. In this regard, the researchers will have to determine a research design that will assist in achieving his/her objectives with the given limited resources at different intervals of the study (Cox & Hassard, 2010).

This research study will employ a descriptive research survey design. In this case the researcher is to make use of both quantitative and qualitative techniques in an objective manner without altering the environment of the research study (Mugenda

*et al.*, (2003). When collecting data, a researcher is to remain objective and only interpret data and information as received and not to add his/her opinions (Saunders, *et al.*, 2014). Unlike the causal research design, descriptive survey research design is suitable for this study because it supports the research objective, and also it will enable the researcher to summarize data using descriptive and inferential statistics.

The study shall also use quantitative research strategy to compute relationships between variables. This approach involves collecting and analyzing data obtained from different sources and also uses statistical tools to derive results.

### **2.3 Data Collection**

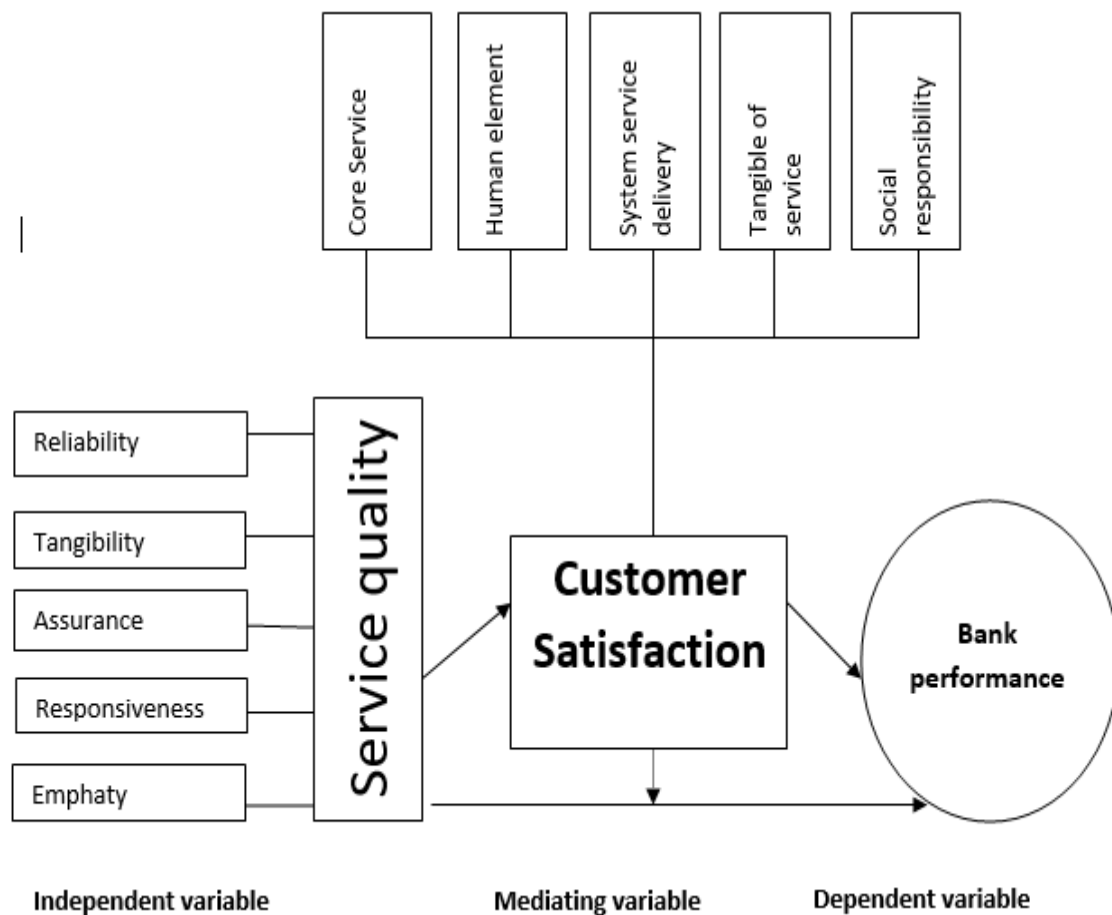
The research study will consider both primary data and secondary data. The study made use of both because primary data will be collected through questionnaires while secondary data is easily accessible from the internet and it saves time since most libraries have digitalized their collections so that students and researchers may perform more advanced searches especially relating to available literature on the topic under study.

Moreover, to confirm the accuracy and validity of the data one requested data from different specific bank institutions. Moreover, in order to correctly and efficiently dispense the surveys to the nominated customers or sample of study, the author actively helped in the process and also made use of email services as a way to reach the other distant selected people.

### **2.4 The Model**

In an attempt to investigate the influence of different dimensions of service quality on customer satisfaction in retail banks of Libia, the model below in Figure 2.1 was formulated. The study's dependent variable is bank performance, while the five dimensions of service quality namely reliability, tangibility, assurance, responsiveness and empathy are the independent variables. Customer satisfaction is the mediating variable which links the independent and the dependent variables, and its existence explains the relationship between the two variables. The

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



**Figure 2.1:** Expectation-Outcome Experience of Customers (generated).

## 2.5 Questionnaire Design

A self-completion questionnaire was implemented in this research study and close ended questions were developed. The study makes use of closed format because it is easy to process answers, it improves the comparability of answers and therefore making it easier to demonstrate the relationship between variables (Bryman and Bell 2003).

Looking at the questionnaire it consists of three main segments. The sections were categorized as follows, first section covers questions about personal profiles of the respondents and this includes age, gender, type of business and period with service providers. The second section is confined to SERVQUAL linked to the five dimensions of service quality namely reliability, assurance, responsiveness, tangibles and empathy. Several statements on each construct are adopted and developed from relevant literatures. Lastly, questions relating to the overall performance of the banks as a result of different levels of customer satisfaction. In this study, all the items were measured by the five-point Likert-type response scales while anchored at 1 strongly disagrees and 5 strongly agree.

Questionnaires are issued in different ways for example face to face, telephone, web, email and postal. This study chose the face to face and email platform to administer the questionnaires to different respondents and to collect data about individual's position with respect to customer satisfaction in relation to the selected influencing factors like tangibility, assurance, reliability, responsiveness, and empathy dimensions.

## **2.6 Population of Interest**

Population of interest is a term that is called for all the chosen group of persons who are going to share some information about a subject of a topic. According to Bless and Smith (2000) the population of interest is the set of fundamentals that the study emphasizes on and from which we can obtain results by conducting a generalized test on the sample.

## **2.7 Sampling Frame And Sampling Method**

According to McDaniel and Gates (2001) a sampling frame of the population is a list of the elements of the concerned population from which one selects people to be sampled in the study. This research focused on customers from the 20 commercial banks from the Tropli region and in respect to different number of branches they have and a sample of 254 questionnaires was issued out to the selected branches based on the actual number of customers.

According to Cooper and Schindler (2001) the sampling method selected for the study depends on various aspects of the research for example its objectives, availability of funds and time constraints. Bless and Higson-Smith, (2000) stated that, there are two types of sampling method namely non- probability sampling methods and probability sampling methods. The study will adopt a stratified sampling technique because the clients are heterogeneous, and need to be sampled based on their classified groups. Simple random technique will be used to pick actual sample from each stratified group. Saunders, *et al.*, (2014) defines stratified sampling as the process a researcher uses to group population into strata's. Each strata contains elements of people with homogeneous characteristics. Thereafter, simple random sampling will be used to pick sample units from each strata. Simple random sampling from each strata will provide each member an equal opportunity of being selected.

## **2.8 Data Analysis**

Data analysis process starts as soon as correctly completed questionnaires are returned. Cooper & Schindler (2014), state that, data analysis includes the process of interpretation of research findings in regards to the research questions under study, and helps in determining whether or not these results are in consistency with the hypothesis. Wellman.*et.al*, (2005) defined data analysis as a procedure of gathering, modelling, and converting data with the objective of enlightening useful information, signifying conclusions and supporting decision making.

Firstly, the researchers had to ensure that the data collected was accurate. This process is called editing so as to avoid any mistakes in the data matrix questionnaires (Diamantopoulos and Schlegelmilch, 2000). The process deals with missing data and ambiguity from the questionnaires. Then raw data is converted, reduced and classified into information more appropriate for data analysis. This process is considered to be data analysis preparation by means of editing and coding. In the data preparation process, coding is very vital because once a mistake is made during coding it become very difficult to trace the error and to correct at a later stage. The process involves transforming each questionnaire into symbols which can be understood by the computer in the data entry process (Diamantopoulos and Schlegelmilch 2000).

The second step involves processing of data into results. After creating the database, from the various questionnaires, the data was analysed using Statistical Package for the Social Science (SPSS) using multiple linear regression analysis and Pearson's correlation to determine the model estimation and tests on the estimates and residuals. In this study data was presented and analyzed using various tables, graphs and narratives of the research findings.

A normality test was conducted to check whether the data collected was parametric or not (normally distributed). A descriptive analysis such as means and frequencies were administered on the socio-demographic characteristics of the respondents to differentiate between the similarities and differences in terms of their age, gender, marital status, educational qualification, etc. In addition, the Kruskal Wallis H test and Mann Whitney U test was used to compare the mean scores of the independent variables and dependent variables. Furthermore, a Pearson Correlation was executed to verify the relationship between customer satisfaction subscales.

## **2.9 Reliability and Validity**

Reliability is essentially concerned with issues of consistency of measures (Bryman and Bell, 2003). There are three protruding factors to look at when considering whether a measure is reliable, that is internal reliability, stability and inter observer consistency. Saunders et al (2014) also stressed out that, the dimensions should be reliable and precise to the extent that if another researcher makes use of the same measurements both researchers should obtain the same results. For the purposes of this study, internal reliability was measured. Bryman and Bell (2003) suggests that, when applying a multiple- item measure where each answers to the various questions are aggregated to each other to form an overall score, we need to make sure that all our indicators are related to each other. In this study it was tested using the Cronbach's Alpha method. The result of 0.7 and above indicates an acceptable level of internal reliability as recommended by Hair et al.(2003). Therefore, this study is deemed to be reliable since it yielded a value of 0.804 which is acceptable according to Cronbach's Alpha.

Validity is the extent to which any gauging tool or measurement device quantifies the measured variable. Some researchers suggests that, validity of measurement is connected to the assumption that a measure of perceptions or concepts can actually measure perception or concept. There are numerous ways in which validity can be established including face and concurrent validity. Other methods like construct validity, in addition to predictive validation and convergence validity. Construct validity is the way chosen to be adopted in this research. The choice aimed at classifying and extracting the analysis of correlation of validity criteria. As for construct validity in relation to convergent validity, confirmatory factor analysis was completed. KMO and Bartlett's test were done, along with factor loadings for each measurement item, were also examined. Through the extensive review of related literature, content validity of the questionnaire was confirmed and the face validity of the dimension instrument was assessed through a pilot study.

## **2.10 Chapter Summary**

This chapter emphasized on the basis for model specification and selection. It also looked into the variables encompassed in the model and the data collection measures. The next chapter shall present the results from the model estimation and tests on the estimates that were obtained using SPSS statistical package.



## **CHAPTER 3**

### **DATA ANALYSIS AND DISCUSION**

#### **3.1 Introduction**

This chapter presents the experiential conclusions of the information that was originally organized based on a questionnaire prepared by the researcher. The information or data was carefully analyzed interpreted and tested. The main goal of this research is to find the influence of service quality dimensions on customer satisfaction in the banking sector in Libya. This chapter explains the response rate and the background information of the respondents, the different types of service and service quality, dimensions of service quality and factors which are mainly affecting the customer satisfaction decision and proper implementations of customer satisfaction in the banking sector.

#### **3.2 Response Rate**

For the purposes of raw data collection a survey's questionnaire was constructed during the period June-July, 2020, in which, the secondary data was selected with the usage of specifically designed data sheet. For the sake of study, 20 Libyan commercial banks from the city of Tripoli were arbitrarily chosen. Questionnaires for 254 customer were issued. Out of all these questionnaires a total of 208, thus 82% were returned and these were considered for final data analysis. Looking at other similar researchers related studies one noted that, they managed to obtain a total fifty percent, thirty percent, and fifty percent filled questionnaires. Dependent on the collected data, the answer in percentage for the concerned study was accepted to be satisfactory enough.

### 3.3 Reliability Test

To ensure consistency across the different items of the questionnaire a reliability test was carried out. In this research, one can confidently state that, the measures are reliable therefore indicating stability and consistency of the instrument since we obtained a Cronbach's Alpha value of 0.804 for the 28 items under observation. The results of the reliability tests are highlighted in the table below:

Table 3.1 Reliability Statistics	
Cronbach's Alpha	Number of Items
0.804	28

### 3.4 Background Of The Respondents

This part of the study reports information which is personally linked to the respondent for example age of the respondent, gender, marital status, educational qualification, employment status and duration of the relationship with bank (the period of time of banks and customer relationship). The background of the respondents is very important key indicator for this study because it influences the intellectual background of the study and determines the validity and effectiveness of the information provided.

### 3.5 Socio-demographic Characteristics.

**Table 3.2:** *Frequency distribution of participants according to socio- demographic characteristics.*

		N (%)
Gender	Male	147 (58)
	Female	107 (42)
Age	25 and below	31 (12)
	26-35	55 (21)
	36-45	93 (37)
	Above 45	75 (30)
Marital Status	Married	124 (49)
	Single	130 (51)
Educational Qualification	Graduate	37 (15)
	Postgraduate	42 (16)
	Others	175 (69)
Employment Status	Self-Employment	21 (08)
	Wage- Employment	135 (53)
	Professional	47 (19)
	Student	25 (10)
	Others	26 (10)
Duration of the Relationship with the Bank	Less than 1 year	34 (13)
	1-2years	57 (22)
	2-3 years	88 (35)
	Above 3 years	75 (30)

The results from Table 3.2, indicate that 147 (58%) of participants were male and 107 (42%) of participants were female workers. The age groups of the participants shows that 31 (12%) were 25 year olds and below, 55 (21%) were 26-35 year olds, 93 (37%) were 36-45year olds and 75 (30%) of the participants were 45 years and above. The marital status of the participants indicate 124 (49%) are married and 130 (51%) are single. 37 (15%) of participants had a graduate educational qualification, 42(16%) had a postgraduate educational qualification and 175 (69%) had another educational qualification. The employment status for participants indicate that 21 (8%) were self-employed, 135 (53%) were wage employed, 47(19%) were professionals and 25 (10%) of them were students and 26 (10) of them were others. The duration of the relationship of the participants with the bank are as follows: 34(13%) less than 1 year, 57(22%) 1-2 years, 88(35%) 2-3 years and 75(30%) above 3 years.

### 3.6 Comparison Of Customer Satisfaction Relative To Age Of Participant

**Table 3.3:** *The Kruskal Wallis H-test results related to the comparison of Customer Satisfaction subscales according to the age of participants.*

Subscales Customer Satisfaction	Age	N	Mean Rank	$\chi^2$	df	P
Bank Services	25 and below	31	113.55	3.484	3	0.323
	26-35	55	134.94			
	36-45	93	120.87			
	Above 45	75	136.03			
Bank Image	25 and below	31	136.00	1.027	3	0.795
	26-35	55	132.57			
	36-45	93	124.21			
	Above 45	75	124.35			
Customer Convenient	25 and below	31	109.39	5.079	3	0.166
	26-35	55	120.62			
	36-45	93	140.73			
	Above 45	75	133.81			
Bank Pricing Policy	25 and below	31	112.27	7.712	3	0.052
	26-35	55	127.11			
	36-45	93	117.98			
	Above 45	75	145.89			
Bank Customer Relations	25 and below	31	100.32	5.128	3	0.163
	26-35	55	127.72			
	36-45	93	131.95			
	Above 45	75	133.05			
Bank Parking Availability	25 and below	31	116.10	3.825	3	0.281
	26-35	55	134.75			
	36-45	93	119.88			
	Above 45	75	136.35			

$p > 0.05$

A careful look at the Table 3.3, illustrating the customer satisfaction score in relation to the age of the customer, by using Kruskal Wallis-H test, no significant differences were found between the age ranks. between bank services ( $\chi^2=3.484$ ;  $p>0.05$ ), bank image ( $\chi^2=1.027$ ;  $p>0.05$ ), customer convenient (  $\chi^2=5.079$ ;  $p>0.05$ ), bank pricing policy ( $\chi^2=7.712$ ;  $p>0.05$ ), bank customer relations (  $\chi^2=5.128$ ;  $p>0.05$ ) and bank parking availability ( $\chi^2=3.825$ ;  $p>0.05$ ).

### 3.7 Comparison of Customer Satisfaction Relative To Educational Qualifications Of Participants

**Table 3.4:** *The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the educational qualification of participants*

Subscales Customer Satisfaction	Educational Qualification	N	Mean Rank	$\chi^2$	df	P
Bank Service	Graduate	37	162.03	31.16	2	0.000*
	Postgraduate	42	168.60	1		
	Others	175	110.34			0.110
Bank Image	Graduate	37	137.50	4.406	2	
	Postgraduate	42	144.83			
	Others	175	121.23			
Customer Convenient	Graduate	37	175.49	43.73	2	0.000*
	Postgraduate	42	170.11	8		
	Others	175	107.13			
Bank Pricing Policy	Graduate	37	140.30	12.148	2	0.002*
	Postgraduate	42	158.54	8		
	Others	175	117.35			
Bank Customer Relations	Graduate	37	158.45	20.04	2	0.000*
	Postgraduate	42	157.36	4		
	Others	175	113.79			
Bank Parking Availability	Graduate	37	153.66	23.05	2	0.000*
	Postgraduate	42	162.25	6		
	Others	175	113.63			

\* $p < 0.05$

An examination of the Table 3.4, related to the comparison of Customer Satisfaction subscale scores according to the educational qualification of the participants, by using Kruskal Wallis-H test, there are no statistically significant differences among the mean ranks of the educational qualification of the participants between bank image ( $\chi^2=4.406$ ;  $p>0.05$ ). There are statistically significant differences among the mean ranks of the educational qualification of the participants between bank services ( $\chi^2=31.161$ ;  $p<0.05$ ), customer convenient ( $\chi^2=43.738$ ;  $p<0.05$ ), bank pricing policy ( $\chi^2=12.148$ ;  $p<0.05$ ), bank customer relations management ( $\chi^2=20.044$ ;  $p<0.05$ ) and bank parking availability ( $\chi^2=23.056$ ;  $p<0.05$ ).

A multiple comparison performed by Mann Whitney U test indicated that, the participants who have a graduate educational level have higher scores of customer convenience ( $u = 1517.500$ ;  $p < 0.05$ ) than the participants who have another level of education. Participants who have another level of education have higher scores of customer convenience ( $u = 1830.000$ ;  $p < 0.05$ ) than participants who have a postgraduate educational level.

An analysis by Mann Whitney U test participants who have a postgraduate educational level have higher scores of bank pricing policy ( $u = 2464.000$ ;  $p < 0.05$ ) than participants who have another level of education.

According to analysis by Mann Whitney U test participants who have graduate level of education have higher scores of bank customer relation management ( $u = 2112.500$ ;  $p < 0.05$ ) than participants who have another level of education. Participants who have postgraduate level of education have higher scores of bank customer relation management ( $u = 2401.000$ ;  $p < 0.05$ ).

Furthermore, an analysis by Mann Whitney U test participants who have graduate level of education have higher scores of bank parking availability ( $u = 2202.000$ ;  $p < 0.05$ ) than participants who have another level of education. Participants have postgraduate level of education have higher scores of bank parking availability ( $u = 2283.000$ ;  $p < 0.05$ ) than participants who have another level of education.

Also, an analysis by Mann Whitney U test participants between the ages 46-50 have higher scores of general satisfactions ( $u = 31.00$ ;  $p < 0.05$ ) than participants who are between the ages of 51 and above.

### 3.8 Comparison Of Customer Satisfaction Relative To Employment Status Of Participants.

**Table 3.5:** *The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the employment status of participants.*

Subscales Customer Satisfaction	Employee nt Status	N	Mean Rank	$\chi^2$	df	P
Bank Service	Self-Employment	21	156.26	8.511	4	0.075
	Wage-Employment	135	130.22			
	Professional	47	122.87			
	Student	25	95.24			
	Others	26	124.54			
Bank Image	Self-Employment	21	122.33	4.185	4	0.382
	Wage-Employment	135	126.09			
	Professional	47	140.01			
	Student	25	106.04			
	Others	26	137.00			
Customer Convenient	Self-Employment	21	153.38	5.175	4	0.270
	Wage-Employment	135	122.51			
	Professional	47	122.90			
	Student	25	122.42			
	Others	26	145.71			
Bank Pricing Policy	Self-Employment	21	118.62	6.690	4	0.153
	Wage-Employment	135	137.61			
	Professional	47	123.11			
	Student	25	104.70			
	Others	26	112.06			
Bank Customer Relations	Self-Employment	21	135.31	0.575	4	0.966
	Wage-Employment	135	126.93			
	Professional	47	129.35			
	Student	25	119.66			
	Others	26	128.33			
Bank Parking Availability	Self-Employment	21	132.67	0.578	4	0.578
	Wage-Employment	135	124.61			

	Professional	47	129.43			
	Student	25	129.32			
	Others	26	133.08			

$p > 0.05$

An examination of the Table 3.5, related to the comparison of Customer Satisfaction subscale scores according to the employment status of the participants, by using Kruskal Wallis-H test, there are no statistically significant differences among the mean ranks of the employment status of the participants between bank services ( $\chi^2=8.511$ ;  $p>0.05$ ), bank image ( $\chi^2=4.185$ ;  $p>0.05$ ), customer convenient ( $\chi^2=5.175$ ;  $p>0.05$ ), bank pricing policy ( $\chi^2=6.690$ ;  $p>0.05$ ), bank customer relations management ( $\chi^2=0.575$ ;  $p>0.05$ ) and bank parking availability ( $\chi^2=0.578$ ;  $p>0.05$ )

### 3.9 Comparison Of Customer Satisfaction Relative To Duration Of The Relationship With The Bank

**Table 3.6:** *The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the duration of the relationship with the bank of participants.*

Subscales Customer Satisfaction	Employment Status	N	Mean Rank	$\chi^2$	df	P
Bank Service	Less than 1 year	34	115.62	6.424	3	0.093
	1-2 years	57	140.18			
	2-3 years	88	115.38			
	Above 3 years	75	137.47			
Bank Image	Less than 1 year	34	125.35	1.134	3	0.769
	1-2 years	57	122.48			
	2-3 years	88	125.37			
	Above 3 years	75	134.79			
Customer Convenient	Less than 1 year	34	121.32	9.101	3	0.028*
	1-2 years	57	147.05			
	2-3 years	88	111.57			
	Above 3 years	75	134.13			
Bank Pricing Policy	Less than 1 year	34	106.84	3.348	3	0.341
	1-2 years	57	134.34			
	2-3 years	88	129.65			
	Above 3 years	75	129.15			
Bank Customer Relations	Less than 1 year	34	109.47	8.360	3	0.039*
	1-2 years	57	148.46			
	2-3 years	88	118.36			
	Above 3 years	75	130.46			
Bank Parking Availability	Less than 1 year	34	128.41	1.796	3	0.616
	1-2 years	57	133.70			
	2-3 years	88	119.82			
	Above 3 years	75	131.39			

\* $p<0.05$



The Table 3.6, related to the comparison of Customer Satisfaction subscale scores according to the duration of the relationship with the bank of the participants, by using Kruskal Wallis H test, there are no statistically significant differences among the mean ranks of duration of the relationship with the bank of participants between bank services ( $\chi^2=6.424$ ;  $p>0.05$ ), bank image ( $\chi^2=1.134$ ;  $p>0.05$ ), bank pricing policy ( $\chi^2=3.348$ ;  $p>0.05$ ) and bank parking availability ( $\chi^2=1.796$ ;  $p>0.05$ ). There are statistically significant differences among the mean ranks of the duration of the relationship with the bank of the participants between customer convenient ( $\chi^2=9.101$ ;  $p<0.05$ ). and bank customer relations management ( $\chi^2=8.360$ ;  $p<0.05$ ).

A multiple comparison performed by Mann Whitney U test indicated that, the participants who had a duration relationship of 1-2 years with the bank higher scores of customer convenience ( $u=1819.500$ ;  $p<0.05$ ) than the participants who have a duration relationship of 2-3 years with the bank. Participants who have a duration relationship of above 3 years with the bank have higher scores of customer convenience ( $u=2716.500$ ;  $p<0.05$ ) than participants who have a duration relationship of 2-3 years with the bank.

Also, an analysis by Mann Whitney U test participants who have a duration relationship of 1-2 years with the bank have higher scores of bank customer relations management ( $u=640.500$ ;  $p<0.05$ ) than participants who have a duration relationship of less than 1 year with the bank. Participants who have a duration relationship of 1-2 years with the bank have higher scores of bank customer relations management ( $u=1935.500$ ;  $p<0.05$ ) than participants who have a duration relationship of 2-3 years with the bank.

### 3.10 Comparison of Customer Satisfaction Relative To Gender Of Participants

**Table 3.7:** *The Mann Whitney U-test Results related to the comparison of subscales of Customer Satisfaction according to the gender of participants.*

Subscales Customer Satisfaction	Gender	N	Mean Rank	Sum of ranks	U	P
Bank Services	Male	126	121.14	15263.50	7262.500	0.169
	Female	128	133.76	17121.50		
Bank Image	Male	126	130.08	16389.50	7739.500	0.575
	Female	128	124.96	15995.50		
Customer Convenient	Male	126	126.34	15918.50	7917.500	0.802
	Female	128	128.64	16466.50		
Bank Pricing Policy	Male	126	127.73	16094.00	8035.000	0.960
	Female	128	127.27	16291.00		
Bank Customer Relations	Male	126	117.62	14819.50	6818.500	0.031*
	Female	128	137.23	17565.50		
Bank Parking Availability	Male	126	138.19	17412.00	6717.000	0.014*
	Female	128	116.63	14973.00		

\* $p < 0.05$

The Table 3.7, related to the comparison of Customer Satisfaction subscale scores according to the gender of the participants, by using Mann Whitney-U test, there are no statistically significant differences among the mean ranks of the female and male participants between bank services ( $u=7262.500$ ;  $p>0.05$ ), bank image ( $u=7739.500$ ;  $p>0.05$ ), customer convenient ( $u=7917.500$ ;  $p>0.05$ ) and bank pricing policy ( $u=8035.000$ ,  $p>0.05$ ).

There are statistical differences among the mean ranks of the gender of the participants between bank customer relations management ( $u=6818.500$ ;  $p<0.05$ ) and bank parking availability ( $u=6717.000$ ;  $p<0.05$ ).

### 3.11 Comparison Of Customer Satisfaction Relative To Marital Status Of Participants

**Table 3.8:** The Mann Whitney U-test Results related to the comparison of subscales of Customer Satisfaction according to the marital status of participants.

Subscales	Marital	N	Mean	Sum	U	p
Customer	Status		Rank	of		
Satisfaction				Ranks		
Bank Services	Married	124	132.32	16407.50	7462.500	0.305
	Single	130	122.90	15977.50		
Bank Image	Married	124	131.63	16322.00	7548.000	0.376
	Single	130	123.56	16063.00		
Customer Convenient	Married	124	124.18	15398.00	7648.000	0.480
	Single	130	130.67	16987.00		
Bank Pricing Policy	Married	124	128.03	15875.50	7994.500	0.910
	Single	130	127.00	16509.59		
Bank Customer relations	Married	124	130.73	16210.00	7660,00	0.489
	Single	130	124.42	16175.00		
Bank Parking Availability	Married	124	124.03	15379.50	7629.500	0.433
	Single	130	130.81	17005.50		
p>0.05						

The Table 3.8, related to the comparison of Customer Satisfaction subscale scores according to the marital status of the participants, by using Mann Whitney-U test, there are no statistically significant differences among the mean ranks of married and single participants between bank services( $u=7462.500$ ;  $p>0.05$ ), bank image ( $u=7548.00$ ;  $p>0.05$ ), customer convenient ( $u=7648.000$ ;  $p>0.05$ ), bank pricing policy ( $u=7994.500$ ,  $p>0.05$ ), bank customer relations management ( $u=7660.000$ ;  $p>0.05$ ) and bank parking availability ( $u=7629.500$ ;  $p>0.05$ ).

### 3.12 Pearson Correlation Among Subscales Of Customer Satisfaction

**Table 3.9:** *Pearson Correlation coefficients among the subscales of Customer Satisfaction*

	Customer Convenient	Bank Pricing Policy	Bank Customer Relations	Bank Park Availability	Bank Services
1.Bank Image	r=0.218 p=0.000*	0.067 0.288	0.056 0.374	0.197 0.002*	0.386 0.000*
2.Customer Convenient		0.386 0.000*	0.490 0.000*	0.462 0.000*	0.535 0.000*
3.Bank Pricing Policy			0.603 0.000*	0.013 0.832	0.492 0.000*
4. Bank Customer Relations				0.023 0.715	0.437 0.000*
5. Bank Park Availability					0.192 0.000*
6. Bank Services					

When the mean scores of the subscales of Customer Satisfaction are examined with Pearson correlation analysis, it was found that, there is a weaker positive correlation between bank image and customer convenient ( $r=0.218$   $p=0.000$ ) and between bank image and bank parking availability ( $r= 0.197$   $p= 0.002$ ). It was found that, there is a moderate positive correlation between bank image and bank services ( $r=0.386$   $p=0.000$ ).

Upon analysis with Pearson measure of correlation it was found that, there is a moderate positive correlation between customer convenient and bank pricing policy ( $r=0.386$   $p=0.000$ ), and between customer convenient and bank customer relations management ( $r=0.490$   $p=0.000$ ) and bank parking availability ( $r=0.462$   $p=0.000$ ). It was found that, there is a strong positive correlation between customer convenient and bank services ( $r=0.535$   $p=0.000$ ) subscales of Customer Satisfaction.

It was also found that, there is a strong positive correlation between bank pricing policy and bank customer relations management ( $r=0.603$   $p=0.000$ ).

It was found that, there is a moderate positive correlation between bank pricing policy and bank services ( $r= 0.492$   $p=0.000$ ) subscales of Customer Satisfaction. Furthermore, upon analysis with Pearson measure of correlation it was found that, there is a moderate positive correlation between bank customer relations management and bank services ( $r=0.437$   $p=0.000$ ). It was also found that, there is weaker positive correlation between bank park availability and bank services ( $r=0.192$   $p=0.002$ ) subscales of Customer Satisfaction.

All the subscales of Customer Satisfaction were found out that they have a positive correlation to each other ( $p\leq 0.001$ ).

### **3.13 Conclusion**

The study shows that, we do not reject the null hypothesis that service quality significantly influences customer satisfaction in retail banking of Libya. The study found out that, all the variables included in the model are significant in explaining long run growth. It is therefore clear that, focusing on customer satisfaction through quality service positively impact businesses especially through establishing customer loyalty and a better corporate image in the retail banking sector of Libya. The next chapter presents the conclusions, summary, and recommendations.

## CONCLUSION AND RECOMMENDATIONS

### Introduction

This research article has the key focus on knowing the influence service quality on the financial performance of some of the selected commercial banks in Libya, specifically taking the cases of **BANKSERV**, as it represented the components of the bank services provided. **BANKPERSS**, the components related to the image of the banks in the eyes of the customers. **CUSTCONV**, components that is concerned for the providing customer comfort and convenience in reaching services. **BANKPRICPOL**, components that referred to the pricing policies of the bank. **BANKCRM**, this represented the extent of customers' relations management carried out. **BANKPARK**, The parking available to clients of banks. The customer satisfaction measurement comes under the head of these factors. This chapter is shedding light on the summary of the study alongside the concrete recommendations. Besides, a research gap is also given for future studies.

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.

### Theoretical Findings

1. Banks provide financial services that are diversified to offer solutions to customer's financial problems. Service is defined as a process whereby a service provider delivers a set of benefits to the 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.

2. Service quality and customer satisfaction became core issues for the successful survival of any service organization as it contribute a lot to organization's competitive advantage and brand loyalty.
3. Satisfaction is a feeling of pleasure after an individual has attained something or has accomplished something. Satisfactions is a process which involves fulfilling one's needs, desires and demands. The customer satisfaction is crucial for the successful survival of any organization.
4. Every bank tries to provide superior services to keep satisfied customers. Customer satisfaction is a set of feelings attached with customer's experience towards any product/service. Satisfied customer is the real asset to the company because he/she ensures long-term profitability even in the times of great competition. Customer retention leads to better profitability by retaining existing customers while also attract new ones through advertising from the loyal customers.
5. There are numerous studies that identify different dimensions of service quality and measures that are frequently used by researchers. In this study these are compiled into five dimensions which are tangibility, responsiveness, reliability, assurance and empathy.
6. Due to the introduction of new products and services the banking sector has expanded a lot and all banks are striving to attract the potential customers at any cost. This has increased competition in the business and as a result one needs to provide quality services in order to have satisfied customers for competitive advantage and sustainable benefits.
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.

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.
9. There are few studies available in the literature that investigated the relationship between service quality, customer satisfaction and bank performance. Banks are leading 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.



## Empirical Findings

- Majority of the bank customers in the sample are male.
- According to the sample we can say that, the majority of the bank customers are more than 25 years of age.
- The customers of banks are approximately 50% married, and 50% are single.
- More than the half of the bank customers are (others) not graduates or postgraduates.
- Most the bank customers work as wage-employed.
- Duration the relationship with the bank we can say that, the majority of the duration of the bank were above 2 years.
- The factors derived from the regression analysis carried out represented the 6 different elements of retail banking in libyan banks, They included the following:

## Conclusion

There is an escalating competition amongst the retail banks in Libya. 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.

Based on the findings; 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 half of bank customers are (Others), most of them are above 35 years age.

The research has identified the components of customer satisfaction in retail banking sector in Libya on the sample of 254 customers of different banks. Factors identified by this research will lead bank managers to the 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. Every customer in the bank need special behaves and cares from the employees. They expect 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 (3.9) 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 (3.9) 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 (3.9) 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 (3.9) 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 (3.9) 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.

All theses factors are important to achieve the manager's mission in increasing the customer satisfaction that lead to the profit increase of the bank and business performance. So, the manager must provide all of these characteristics in order to keep right direction.

Also the researcher should use the variables identified by this research to conduct similar studies with larger samples to attain more generalizable result.

### **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 generalizable result through larger sampling methods.

### **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.

### **Chapter Summary**

This chapter have concluded the research study by providing an overview of the findings, conclusions, limitations and recommendations for future studies.

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## APPENDIX 1

(Dear ( Sir/Madam)

### **COLLECTION OF RESEARCH DATA:**

My name is ( MUNIR ABDULSALEH ) a Master student in Banking and Finance at Near East University . Currently, I am carrying out a research on the “*Does customer satisfaction exist in the libyan banking sector?:A field study in Libya* ”. I am in the process of gathering relevant data for this study. You have been identified as one of the respondents in this study and kindly request for your assistance towards making this study a success. I therefore kindly request you to take some time to respond to the attached questionnaire. I wish to assure you that your responses will be treated with confidentiality and will be used solely for the purpose of this study.

**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. Marital status :**

Married [ ]    Single [ ]

**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 [ ]

	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 2

Frequency distribution of participants according to socio-demographic characteristics

		n (%)
Gender	Male	147(58)
	Female	107(42)
Age	25 and below	31(12)
	26-35	55(21)
	36-45	93(37)
	Above 45	75(30)
Marital Status	Married	124(49)
	Single	130(51)
Educational Qualification	Graduate	37(15)
	Postgraduate	42(16)
	Others	175(69)
Employment Status	Self-Employment	21(8)
	Wage- Employment	135(53)
	Professional	47(19)
	Student	25(10)
	Others	26(10)
Duration of the Relationship with the Bank	Less than 1 year	34(13)
	1-2years	57(22)
	2-3 years	88(35)
	Above 3 years	75(30)

The Kruskal Wallis H-test results related to the comparison of Customer Satisfaction subscales according to the age of participants

Subscales of Customer Satisfaction	Age	N	Mean Rank	$\chi^2$	df	P
Bank Services	25 and below	31	113.55	3.484	3	0.323
	26-35	55	134.94			
	36-45	93	120.87			
	Above 45	75	136.03			
Bank Image	25 and below	31	136.00	1.027	3	0.795
	26-35	55	132.57			
	36-45	93	124.21			
	Above 45	75	124.35			
Customer Convenient	25 and below	31	109.39	5.079	3	0.166
	26-35	55	120.62			
	36-45	93	140.73			
	Above 45	75	133.81			
Bank Pricing Policy	25 and below	31	112.27	7.712	3	0.052
	26-35	55	127.11			
	36-45	93	117.98			
	Above 45	75	145.89			

Bank Customer Relations	25 and below	31	100.32	5.128	3	0.163
	26-35	55	127.72			
	36-45	93	131.95			
	Above 45	75	133.05			
Bank Parking Availability	25 and below	31	116.10	3.825	3	0.281
	26-35	55	134.75			
	36-45	93	119.88			
	Above 45	75	136.35			

p>0.05

The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the educational qualification of participants

Subscales of Customer Satisfaction	Educational Qualification	N	Mean Rank	$\chi^2$	Df	P
Bank Service	Graduate	37	162.03	31.161	2	0.000*
	Postgraduate	42	168.60			
	Others	175	110.34			
Bank Image	Graduate	37	137.50	4.406	2	0.110
	Postgraduate	42	144.83			
	Others	175	121.23			
Customer Convenient	Graduate	37	175.49	43.738	2	0.000*
	Postgraduate	42	170.11			
	Others	175	107.13			
Bank Pricing Policy	Graduate	37	140.30	12.148	2	0.002*
	Postgraduate	42	158.54			
	Others	175	117.35			
Bank Customer Relations	Graduate	37	158.45	20.044	2	0.000*
	Postgraduate	42	157.36			
	Others	175	113.79			
Bank Parking Availability	Graduate	37	153.66	23.056	2	0.000*
	Postgraduate	42	162.25			
	Others	175	113.63			

\*p<0.05

The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the employment status of participants;

Subscales of Customer Satisfaction	Employment Status	N	Mean Rank	$\chi^2$	Df	p
Bank Service	Self-Employment	21	156.26	8.511	4	0.075
	Wage-Employment	135	130.22			
	Professional	47	122.87			
	Student	25	95.24			
	Others	26	124.54			
Bank Image	Self-Employment	21	122.33	4.185	4	0.382
	Wage-Employment	135	126.09			
	Professional	47	140.01			
	Student	25	106.04			
	Others	26	137.00			
Customer Convenient	Self-Employment	21	153.38	5.175	4	0.270
	Wage-Employment	135	122.51			
	Professional	47	122.90			
	Student	25	122.42			
	Others	26	145.71			
Bank Pricing Policy	Self-Employment	21	118.62	6.690	4	0.153
	Wage-Employment	135	137.61			
	Professional	47	123.11			
	Student	25	104.70			
	Others	26	112.06			
Bank Customer Relations	Self-Employment	21	135.31	0.575	4	0.966
	Wage-Employment	135	126.93			
	Professional	47	129.35			
	Student	25	119.66			
	Others	26	128.33			
Bank Parking Availability	Self-Employment	21	132.67	0.578	4	0.578
	Wage-Employment	135	124.61			
	Professional	47	129.43			
	Student	25	129.32			
	Others	26	133.08			

p>0.05

The Kruskal Wallis H-test Results related to the comparison of Customer Satisfaction subscales according to the duration of the relationship with the bank of participants

Subscales of Customer Satisfaction	Employment Status	N	Mean Rank	$\chi^2$	Df	P
Bank Service	Less than 1 year	34	115.62	6.424	3	0.093
	1-2 years	57	140.18			
	2-3 years	88	115.38			
	Above 3 years	75	137.47			
Bank Image	Less than 1 year	34	125.35	1.134	3	0.769
	1-2 years	57	122.48			
	2-3 years	88	125.37			
	Above 3 years	75	134.79			
Customer Convenient	Less than 1 year	34	121.32	9.101	3	0.028*
	1-2 years	57	147.05			
	2-3 years	88	111.57			
	Above 3 years	75	134.13			
Bank Pricing Policy	Less than 1 year	34	106.84	3.348	3	0.341
	1-2 years	57	134.34			
	2-3 years	88	129.65			
	Above 3 years	75	129.15			
Bank Customer Relations	Less than 1 year	34	109.47	8.360	3	0.039*
	1-2 years	57	148.46			
	2-3 years	88	118.36			
	Above 3 years	75	130.46			
Bank Parking Availability	Less than 1 year	34	128.41	1.796	3	0.616
	1-2 years	57	133.70			
	2-3 years	88	119.82			
	Above 3 years	75	131.39			

\* $p < 0.05$

The Mann Whitney U-test Results related to the comparison of subscales of Customer Satisfaction according to the gender of participants;

Subscales of Customer Satisfaction	Gender	N	Mean Rank	Sum of Ranks	U	P
Bank Services	Male	126	121.14	15263.50	7262.500	0.169
	Female	128	133.76	17121.50		
Bank Image	Male	126	130.08	16389.50	7739.500	0.575
	Female	128	124.96	15995.50		
Customer Convenient	Male	126	126.34	15918.50	7917.500	0.802
	Female	128	128.64	16466.50		
Bank Pricing Policy	Male	126	127.73	16094.00	8035.000	0.960
	Female	128	127.27	16291.00		
Bank Customer Relations	Male	126	117.62	14819.50	6818.500	0.031*
	Female	128	137.23	17565.50		
Bank Parking Availability	Male	126	138.19	17412.00	6717.000	0.014*
	Female	128	116.63	14973.00		

\* $p < 0.05$



The Mann Whitney U-test Results related to the comparison of subscales of Customer Satisfaction according to the marital status of participants;

Subscales of Customer Satisfaction	Marital Status	N	Mean Rank	Sum of Ranks	U	P
Bank Services	Married	124	132.32	16407.50	7462.500	0.305
	Single	130	122.90	15977.50		
Bank Image	Married	124	131.63	16322.00	7548.000	0.376
	Single	130	123.56	16063.00		
Customer Convenient	Married	124	124.18	15398.00	7648.000	0.480
	Single	130	130.67	16987.00		
Bank Pricing Policy	Married	124	128.03	15875.50	7994.500	0.910
	Single	130	127.00	16509.59		
Bank Customer Relations	Married	124	130.73	16210.00	7660.00	0.489
	Single	130	124.42	16175.00		
Bank Parking Availability	Married	124	124.03	15379.50	7629.500	0.433
	Single	130	130.81	17005.50		

p>0.05

**Pearson Correlation coefficients among the subscales of Customer Satisfaction**

	Customer Convenient	Bank Pricing Policy	Bank Customer Relations	Bank Park Availability	Bank Services
1.Bank Image	r=0.218 p=0.000*	0.067 0.288	0.056 0.374	0.197 0.002*	0.386 0.000*
2.Customer Convenient		0.386 0.000*	0.490 0.000*	0.462 0.000*	0.535 0.000*
3.Bank Pricing Policy			0.603 0.000*	0.013 0.832	0.492 0.000*
4. Bank Customer Relations				0.023 0.715	0.437 0.000*
5. Bank Park Availability					0.192 0.000*
6. Bank Services					

# DOES CUSTOMER SATISFACTION EXIST IN THE LYBIAN BANKING SECTOR: A STUDY IN LIBYAN BANKS

Munir Edress Abdulsaleh

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**BİLİMSEL ARAŞTIRMALAR ETİK KURULU**


11.02.2020

Dear Munir Edress Abdulsaleh

Your application titled **“Does Customer Satisfaction exist in the Libyan banking sector: A Field Study in Libya”** with the application number YDÜ/SB/2020/658 has been evaluated by the Scientific Research Ethics Committee and granted approval. You can start your research on the condition that you will abide by the information provided in your application form.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee



**Note:**If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.