NEAR EAST UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF BANKING AND FINANCE
BANKING AND ACCOUNTING PROGRAM

CUSTOMER SATISFACTION IN BANKING SECTOR: THE CASE IN NORTH IRAQ,CITY OF ERBIL

HAWKAR HAMAD

MASTER'S THESIS

NICOSIA
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Assist. Prof. Dr. Ahmet Ertugan

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2018

ACCEPTANCE/APPROVAL

We as the jury members certify the 'CUSTOMER SATISFACTIN IN BANKING SECTOR: THE CASE IN NORTH IRAQ, CITY OF ERBIL' prepared by the HAWKAR ANWER HAMAD defended on 14/11/2018 has been found satisfactory for the award of degree of Master

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DEDICATION

I dedicate my thesis to my beloved mother and father

ABSTRACT

CUSTOMER SATISFACTION IN BANKING SECTOR: THE CASE IN NORTH IRAQ,CITY OF ERBIL

The purpose of this study to shed more light on issues of security, service quality and customer loyalty in relation with customer satisfaction so that the highest level of satisfaction can be achieved. To achieve the research objectives we formulated three hypotheses based on three factors namely customer loyalty, service quality and security. The sample of the study is the customers of the group of private banks in the city of Erbil and we took the list of questionnaire as a tool for study and distributed randomly to customers.

To achieve the desired results, we used SPSS version 20.0, where we analyzed the data through correlation and logistic regression tests. In our interpretation of the findings we also relied on the results of the mean and the standard deviation. We concluded from the results of the research that factors (customer loyalty and security) positively affect customer satisfaction. However, for the third variable (service quality), it did not affect customer satisfaction in the banks covered by the current study.

Keywords: Erbil city, Customer satisfaction, customer loyalty, security, service quality.

ÖZ

CUSTOMER SATISFACTION IN BANKING SECTOR: THE CASE IN NORTH IRAQ,CITY OF ERBIL

Bu çalışmanın amacı, müşteri memnuniyeti ile ilgili olarak güvenlik, hizmet kalitesi ve müşteri sadakati konularında daha fazla ışık tutmak ve böylece en yüksek düzeyde memnuniyet düzeyine ulaşılmasını sağlamaktır. Araştırma hedeflerine ulaşmak için müşteri sadakati, hizmet kalitesi ve güvenlik olmak üzere üç faktöre dayanan üç hipotez oluşturduk. Araştırmanın örneklemi Erbil şehrinde özel bankalar grubunun müşterileriydi ve anketin listesini çalışma için bir araç olarak aldık ve müşterilere rastgele dağıttık.

İstenilen sonuçlara ulaşmak için, SPSS 20.0 sürümünü kullandık, burada verileri korelasyon ve lojistik regresyon testleri ile analiz ettik. Bulguları yorumlamada, ortalama ve standart sapmanın sonuçlarına da dayandırdık. Araştırmanın sonuçlarından, müşteri memnuniyetini olumlu yönde etkileyen faktörlerin (müşteri sadakati ve güvenlik) sonuçlandırdığı sonucuna vardık. Ancak, üçüncü değişken (hizmet kalitesi) için, mevcut çalışma kapsamındaki bankalarda müşteri memnuniyetini etkilememiştir.

Anahtar Kelimeler: Erbil şehri, Müşteri memnuniyeti, müşteri sadakati, güvenlik, hizmet kalitesi.

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CHAPTER 1

ORIENTATION

1.1 Introduction

This chapter provides the opening to the whole study. It provides a snapshot of the whole study by first introducing the gist of the subject matter. The researcher provides the background of the study and briefly explains about the independent variables and the dependent variable. Thereafter, the researcher identifies the research problem and from this builds the research objectives and the research questions that are the base of the study. The research model is also provided which sets the conceptual framework of the study where the hypotheses were developed. Lastly, the researcher stresses the importance of the study by highlighting the significance of the current study to different stakeholders.

1.2 Background of the study

The world has become a global village and with it many developments have emerged especially technologically and these have affected or changed the logistics of getting things done. The banking sector has also moved forward with these developments as technological advancement has led to the expansion of offered services embracing internet banking among other things. According to Cheserek et al (2015) this has resulted in increased competition in the sector as many banks and financial institution belonging in private hands have also emerged. It is no longer enough to just offer basic services because

of monopolistic tendencies. Banks now have to rely more and more on other aspects like customer satisfaction in order to attract customers.

Customers are at the focal point of every business and banks are no different. Apart from doing business with other businesses banks are also entrusted with individuals' assets and finances. The banking sector is now highly competitive and therefore there is need to keep the customers coming. Customer satisfaction is very important as it has many benefits other than keeping the customers content. Satisfied customers can market the bank's services to the benefit of the bank itself. In addition, customer satisfaction can also enhance profitability as the current customers continue to enjoy the services. This is important as it has been found that it is cheaper to keep current customers than acquiring new ones. In addition, customer satisfaction has also been found to lead to customer loyalty (Brodie et al, 2009; Saleem and Raja, 2009). Customers who are happy with the bank's services will continue using them and in time be not interested in other offerings by other banks (Shah et al, 2015). They added that it also improved the whole organizational performance.

Risk is inherent in business. However, the banking sector is one of the most prone industries to threats. This is especially so nowadays given the advancement in technology which has expanded the business into internet banking. This brings with it new threats and vulnerabilities to the sector. It is essential that the clients' data and assets be protected from prying eyes and be prevented from falling into unauthorized hands. The deposits that the customers make have to be protected. They also have to feel secure using the banks' facilities like the ATMs. This means that security within the banking sector is a vital issue.

Security can ensure therefore that customers do their transactions safely without the risk of loss of finances and confidential information. It can be said that this can actually enhance customer satisfaction. Given the different threats in banking, banks that provide more security to their clients will probably earn their satisfaction which may ultimately lead to their loyalty as they may want to stay with the bank that they feel most secure with. Achieving loyalty is very beneficial for the company as it means lesser costs and lesser chances of

losing customers to rivals. This enhances profitability as well as boosting reputation which is always a good thing in business.

One of the ways that the companies can also achieve customer satisfaction and loyalty is by ensuring that the service that they deliver is of high quality (Anand and Selvaraj, 2012). Customers want to be treated in such a way that they will feel happy to part with their money and this will increase their patronage. Friendly staff will make them feel comfortable and provide a sense of belonging. However, there is really need to be attentive when it comes to service quality as it has been found that when a customer encounters bad service they would probably tell many people and negative word of mouth spreads really fast. This may negatively affect the bank's reputation and its patronage.

It is therefore imperative that the issue of customer satisfaction in the banking sector be looked at especially in this growing competitive world. The ever-growing concern about security threats also makes this study very important and there is need for more awareness about issues of security and especially its relationship with customer satisfaction and how best banks can provide it through security.

1.3 Problem situation

Customers are forever switching from one bank to the other being attracted by new services and different offers that come up. This had led banks themselves to keep this from happening by striving to improve customer satisfaction. This is being done in different ways like increasing emphasis on service quality; addressing and improving security concerns so that customers can access and use the bank's services safely. In addition, the banking sector also attempts to maintain customer loyalty in order to be assured of increased patronage and low costs to ensure survival in the competitive world of banking.

1.4 Statement of the problem

Globalization has led to improved competition in all industries. Banks also need to retain their customers and attract new ones and one of the ways of doing that is through customer satisfaction (Shah et al, 2015). However, there is also need for improvement in service quality as well as security to ensure that customers feel secure doing their business and the service that they get is top notch. In addition, customer loyalty is very important in this environment as it can aid the banks' expansion and provide assurance of a consistent source of revenue.

There is also growing concern about security especially given the technological advancement which puts customers' information at risk. This is lacking in many banks and they end up losing customers. It is therefore the purpose of this study to shed more light on issues of security, service quality and customer loyalty in relation with customer satisfaction so that the highest level of satisfaction can be achieved. In addition, there are not many studies based on private banks in Northern Iraq based on these variables but their importance cannot be overlooked. This study therefore also aims to fill that gap in the literature.

1.5 Study model

The following represents the study model that is the focal point of the study. it depicts the independent variables of the study which are customer loyalty, security and service quality and the proposed relationship through the hypothesis with the dependent variable which is customer satisfaction.
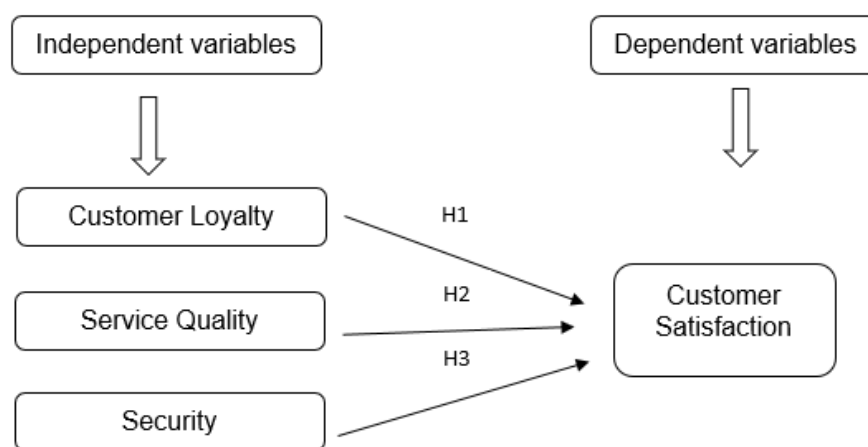
Figure 1.1 study model

1.6 Research objectives

1. To determine the relationship between customer satisfaction and customer loyalty
2. To establish if security leads customer satisfaction
3. To determine the relationship between service quality and customer satisfaction.

1.7 Research questions

1. Does customer loyalty has a positive effect on customer satisfaction?
2. Does security in banks result in customer satisfaction?
3. Does service quality lead to customer satisfaction?

1.8 Hypotheses

Table 1.1 Hypotheses

Hypothesis	
H1	Customer loyalty has a positive effect on customer satisfaction
H2	Service quality has a positive effect on customer satisfaction
H3	Security in banks has a positive effect on customer satisfaction

1.9 Significance of the study

A number of studies have been done concerning customer satisfaction. This is because it is of interest to most firms' banks notwithstanding. There is a need to determine the antecedents of customer satisfaction and establish what contributes to making the customers satisfied within the private banking sector.

This study will firstly enrich the already existing database of literature especially in the Northern Iraq region. The issue of customer satisfaction is one that will keep the scholars interested for a long time. This study can therefore serve to provide empirical literature in Northern Iraq as well as being used in other studies of this nature as reference. It can also be used as a starting point for other dimensions of customer satisfaction thus acting as base material for new studies.

The researcher believes that this study will be beneficial to the banking sector. New banks are being established and the ones already inexistence are operating in an increasingly competitive environment. There is therefore need to gain new customers as well as making sure that those ones already in existence remain with their banks. Banks need to find what the customers are interested in, what keeps them satisfied and this study can be a way of enlightening the banking sector. Valuable information may be gleaned from this study.

In addition, this study is a necessity for the acquisition of the researcher's Masters' degree as this partially fulfilment of the requirements of the qualification.

1.10 Limitations

This study will be conducted in Northern Iraq and will only be based on private banks as these are the most popular ones. It would be interesting to note if the results would be different with other type banks. In addition, this study also focused mainly on the relationship between customer loyalty, security and service quality with customer satisfaction. No interrelationships between the variables were explored. Finally, the study also focused on quantitative measurements as this was done as a quantitative study.

1.11 Chapter summaries

Chapter 2

This chapter focuses on a discussion of the variables of the study done by other scholars and researchers. It provides definitions, explanations and arguments put forward by them as well as the conclusions that they drew from their various studies. The researcher also provides theories concerning some of the variables from which insights were gained.

Chapter 3

This chapter represents the foundation upon which the whole study was conducted. It introduces the conceptual framework that acted as the frame of the study depicting the conceptual model as well as the hypothesis that guide it. In addition, the researcher provided the research objectives and the research questions built from them. This leads to the subsequent formulation of the problem statement of the study.

Chapter 4

This chapter presents how the whole data collection process was mapped out. It identifies the research design and approach which constituted the guidelines that provided the course of the study. The researcher also gave the sampling technique through which the respondents were selected and the sample that constituted the participants of the study. In addition, the researcher explained how they were going to collect the data and the instrument that would be used for such purpose.

Chapter 5

this chapter explains the data analysis of our study, however, the researcher has used the SPSS program for find the results and the program version is 20.0 to the reach major goal of this study, such as descriptive statistics for the demographic section, regression model, correlation, normality test, and measurement of relevant of important answers of customers, also based on the results were exciting we decide to accept or reject the hypothesis.

Chapter 6

This chapter includes all discussions on conclusions, findings of research analyses, also recommendations and suggestions presented by researcher, so the first part of the chapter consists of the desired results to achieve the goal of the research. We then focused on recommendations and suggestions that could contribute to improving banking services and help future research.

1.12 Conclusion

This chapter focused on providing the introduction to the study by providing the background issues which deal with the variables. The researcher also provided the statement of the problem so that the problem can be better understood and justify the existence of this study. It also highlighted the significance of the study as well as the objectives, questions and hypotheses which guide the study.

CHAPTER 2

LITERATURE REVIEW

2.3 Introduction

This chapter focuses on a discussion of the variables of the study done by other scholars and researchers. It provides definitions, explanations and arguments put forward by them as well as the conclusions that they drew from their various studies. The researcher also provides theories concerning some of the variables from which insights were gained.

2.2 Customer Loyalty

According to Kim and Yoon (2004), customer loyalty refers to one's willingness to preserve and maintain relationship with a particular product, service or firm. McIlroy and Barnett (2000) contented that customer loyalty signified commitment as well to the above mentioned as well as spreading the message and inviting others to try the product, service or firm. Chauhan et al (2015) reiterated that it is through customer loyalty that repeat purchases are made. Oliver (1999) mentioned that where customer loyalty exists, customer is not affected by what the rivals are offering and are not inclined to switch to them. They simply make their purchases consistently from one source. This disregard for what competitors is offering is probably what clinches the competitive edge for the company. In addition, the increased financial and growth factor is what motivate organizations to do everything in their power to ensure that they embark on activities that increase customer loyalty (Leninkumar, 2017).

Kim and Yoon (2004) and Dimitriades (2006) highlighted that customer loyalty motivated purchase and repurchase intention, customers' patience with regard to prices as well as references to others. This is reiterated by other scholars (Fornell, 1992; Dick and Basu, 1994; Ibojo and Asabi ,2015;) who explained that satisfied customers spread their experiences to their friends, colleagues and so forth but also emphasized that dissatisfied customers will do that even more. This is probably because bad news spread faster and negative experiences are shared more especially via word of mouth.

Ibojo and Asabi (2015) stated that there is a direct connection between customer satisfaction and customer loyalty. The scholars added that loyalty stems from the satisfaction derived from the product or service as a result of consumption, usage or services received from a particular firm. This is in line with Fornell (1992) who considered customer satisfaction as an attitude after acquisition, consumption or usage of a product or service.

Similarly, Kotler (2000) explained that satisfaction reflects the customers' attitude towards what they expected and what was received in terms of their needs' fulfilment. Therefore, if the customer perceives that what they have been offered does not live up to what they expected they are more likely to be dissatisfied and if the offer exceeds their expectations they are more inclined to be satisfied as well as become loyal. According to Goode et al (2005) the former is called positive disconfirmation where outcome exceeds expectation and the opposite is referred to as negative disconfirmation. Ningsih and Segoro (2014) added that customer satisfaction indicated positive emotions as it reflected positive responses towards product and service, a notion also agreed to by Leninkumar (2017) who stated that customer satisfaction aroused feeling s of pleasure.

2.3 Types of customer loyalty
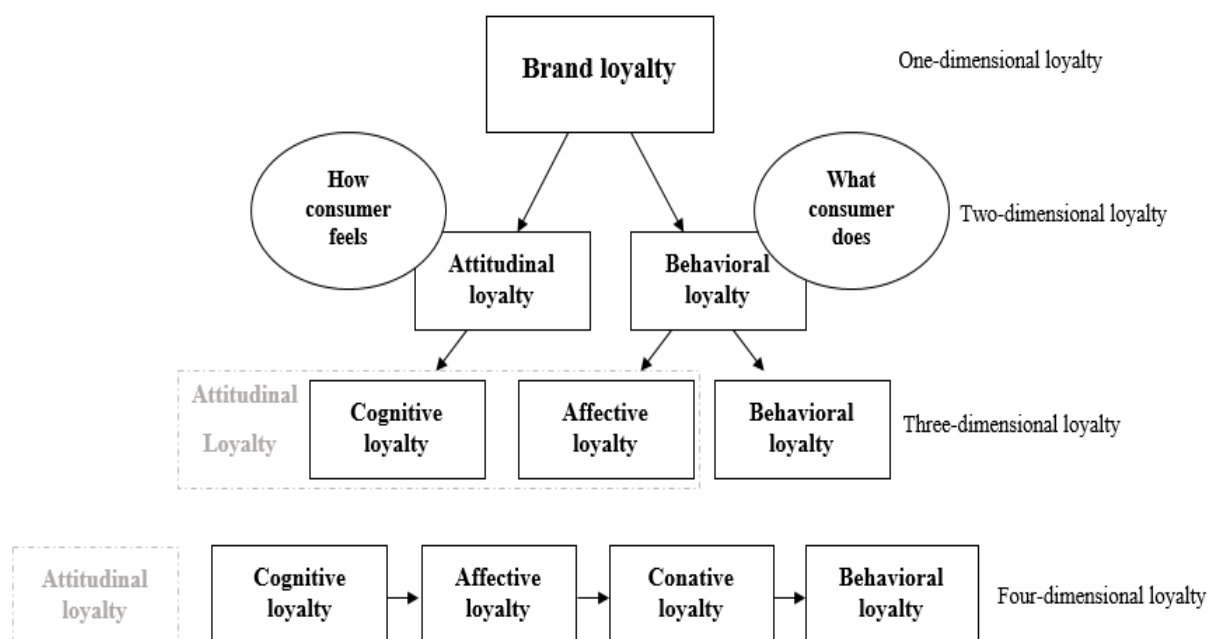
Figure 2.1 Types of customer loyalty

Source: Javad et al (2015)

The diagram above represents dimensions of customer loyalty as depicted by various scholars from way back. The most recognised and accepted dimension by scholars is the two dimensional which is attitudinal and behavioural (Dick and Basu, 1994; Mustafa, 2009). This dimension was proposed by early scholars (Day, 1969; Taylor, 1981).

2.3.1 Attitudinal loyalty

Attitudinal loyalty deals with how the customer is attached or connected to the company or their brand(s) (Day, 1969) and reflects a continued long-term relationship (Park and Kim, 2000). They explained that the loyalty would be depicted by how the customer feels therefore there would be emotions used.

2.3.2 Behavioural loyalty

It is determined by behavioural tendencies which are reflected in what the customer does. According to Otaibi and Yasmeen

According to Kuusik (2007) this can also be further broken down into three where customers may be forced to be loyal; be loyal as a result of inertia or be functionally loyal. The scholar explained that forced loyalty may be as a result of monopolistic tendencies where the customers do not have a choice but to make purchases from a single vendor because that is the only vendor available. The customer's finances may also act as a limiting factor.

Loyalty as a result of inertia may be as a result of contentment or low importance of one's choice which makes them from looking for alternatives (Kuusik, 2007). The scholar explained that functional loyalty is as a result of functional values. These would be reflected in such things as pricing, distribution channels, loyalty programs and convenience among others. However, Barnes (2003) explained that rivals can replicate functional values therefore it is not a solid source of achieving a solid edge over rivals.

Other scholars proceeded to divide these two dimensions into three dimensions with Oliver (1999) doing the final four stages of customer loyalty shown below. The scholar stated that loyalty happens in sequence starting from cognitive, followed by affective and conative which are all attitudinal responses and these lead to the action stage which is a behavioural aspect.

2.4 Four stages of customer loyalty

Stage	Features	Vulnerabilities
Cognitive ↓	Perception of qualities and superior features	Superficial, lower loyalty
Affective ↓	Formation of attachment and attitude toward brand	Exposed to switching
Conative ↓	Commitment or a plan to repurchase	Plans may not lead to action
Action (Behavioral)	High willingness to act	May weaken performance

Figure 2.2 Four stages of customer loyalty

Source: Oliver (1999)

2.4.1 Cognitive Loyalty

According to Blut et al (2007) cognitive loyalty deals with the customer's attitude to what is offered as a result of information they have regarding such factors like price, durability and quality among others. The scholars stated that this form of loyalty is the weakest as any slight change in the above may result in switching to alternatives and that it was mainly based on cost benefit analysis. Similarly, Javad et al (2015) explains that the cognitive loyalty stage has to do with selection of a preferred product or brand depending on the perceived quality and superior features in comparison with alternatives. According to Oliver (1997; 1999) and Javad et al (2015) cognitive loyalty comes about as a result of information at hand whether first or second hand and experiences. However, Oliver (1999) pointed out that if the experience is nothing more than a routine thing, like utility provision (Kuusik, 2007) then there is no loyalty, just performance. The scholar also mentioned that the downside of cognitive loyalty is that it is susceptible to vulnerabilities and is bound to be superficial where the customer perceives quality to be low and features to be inferior hence much of it is needed to be attained by service providers.

2.4.2 Affective loyalty

Oliver (1999) explains that when satisfaction takes place, it builds up experience with the product which in turn is manifested emotionally. The affective loyalty results from the attachment one forms to the product or brand and the pleasant experiences from the offering. According to Han et al (2011) this form of loyalty is deeper than the cognitive loyalty and is therefore less vulnerable. However, it is still not guaranteed as positive improvements and changes in alternatives can weaken it. This means that if rival offerings become more attractive, the customer may switch to those offerings. This is why service providers have to aim higher by trying to get more committed customers and achieve conative loyalty (Oliver, 1997, 1999; Han et al, 2011).

2.4.3 Conative loyalty

Blut et al (2007) states that this form of loyalty is deeper than cognitive and affective loyalty and is mostly reflected in the desire to act that is, make a purchase or repurchase. However, Oliver (1999) points out that regardless of this deeper loyalty, the customer still has not lost their tendency to be swayed by alternative offerings. Th scholar also cautions that commitment does not necessarily lead to action.

2.4.4 Action (Behavioural)

According to Oliver (1999) for a customer to be fully committed to an offering there is need for that offering to be part of the customer's self-identity. This is in line with the self-identity theory which explains that people classify themselves into groups and want to be associated with anything that boosts their self-identity. By so doing the offerings will go an extra mile by bringing meaning to the consumer's lives (Fornell, 1998). Oliver (1999) explains that in this last stage the customer is ready to fully commit and reaches the desirable brand without the trappings of any obstacles. Blut et al (2007) adds that consumers are willing to invest effort in getting the offering and rivals' offerings hold no appeal. The intention finally translates into action (purchase or repurchase).

2.5 Security

According to the Oxford dictionary, security simply refers to that state of being free from threats; state where there is certainty, safety and the feeling of being secure. Security in the banking sector is one of the most essential things that provide the bank with integrity. Johnson (2001), states that security and privacy are most sought after by customers and Stewart (1999) explained that security leads to customer loyalty. According to Waheed et al (2013) there have been innovations in the banking industry with the most revolutionary of them all being internet banking. According to Waheed et al (2013), this has

resulted in a modern way of banking where customers can take care of their transactions inside the comfort of their homes without setting foot in an actual bank. Ahmad (2010) explained that the relationship between banks is not only among banks but with the customers as well. They added that security is important to prevent intrusions into the system which may affect information result. This may lead to loss of confidential data and when this happens trust is lost and this ultimately affects customer satisfaction. Similarly, Ambhire and Teltumude (2011) explained that information security is one of the most vital issues in the banking industry. There is especially more concern about security issues because of the development in technology which has seen the banking industry expanding into online banking. This in itself also brings many issues to do with cyber security and safety of transactions.

According to Belas et al (2016), there are different types of security issues within the banking sector one of which is commercial security. The scholars explained that this deals with issues of capital management and capital adequacy management among others. Grubicka and Matuska (2015) mention process security which deals with the risk of any losses arising due to failures internally or failures of capital and those arising externally. Belas et al (2016) also added that there is need for physical security in the banking sector and this type of security involves the protection of cash within the banks and the ATMs.

Deposits of customers need to be secured and this is very important in acquiring new customers, retaining old ones and generally satisfying all of them (Belas et al 2016). This means therefore that the bank should ensure that there are measures in place to ensure that customers' deposits are not at risk.

2.5.1 Perpetrators of security breaches

According to Subrahmanyam et al (2014) banks are a huge target for hackers and cyber criminals and information security breaches are a serious issue which may result in huge losses. Similarly, Zahoor (2016) mentioned that security breaches in the banking sector are higher than in other industries and

despite mechanisms new breaches always come up. The scholar added that the motivation behind these breaches is to do with money or pilfering confidential data from the banks. According to Salimon et al (2015) the ease with which cyber criminals can access banks has led to fear of using online banking platforms and is the reason for its slow adoption in some countries. Below are some of the perpetrators of security breaches from internal and external sources.

Perpetrators	Threat	Examples
External	Exploit Internet ubiquity and anonymity as advantageous feature to accomplish their objectives	• Hackers • Terrorist organizations • Business competitors • Organized crime • Foreign intelligence
Internal	Authorized users who exploit their system access to achieve specific objectives	• Employee • Contractor • Teleworker

Figure 2.3 perpetrators of security breaches

Source: Ambhire and Teltumde (2010)

According to Salimon et al (2015), customers are afraid of online banking because of the fraud cases as well as phishing and scamming that online banking is vulnerable to. There is therefore need to assure customers of security in this area so that customers can embrace the technological advancement more. E crime related activities have made customers wary of online banking and have especially resulted in dissatisfaction among the

customers (Kesharawani & Radhakrishna 2013). The scholars added that the lack of security results in apprehension in the banks' services. Subrahmanya et al (2014) stated that there was need for identification of risk and insuring, mitigating or transferring it.

2.6 Service Quality

Previous study suggests that customer satisfaction can be measured using service quality and that quality service leads to customer satisfaction (Ali & Raza, 2017). Service quality can be described as how customers perceive a service as being better than other services, by basing their judgements on how the service is able to serve their needs adequately (Adhikari and Paul, 2015). Adhikari et al (2015) further explained that customer satisfaction is directly affected by the perceived level of service quality and that in order for banks to effectively compete with other banks, they must offer quality services. According to Paul, Mittal and Srivastav (2016), service quality is how customers weigh the difference between their expectations of the service and how the service was actually provided. A study in the Pakistan banking sector conducted by Raza, Jawaid, and Hassan (2015) purported that service quality directly influenced the customers' satisfaction.

2.6.1 The Gaps in service quality

Gerrard and Cunningham (2001) explained that service quality is the gap between expected service and actual service provided. The gaps they talked about included the following:

Gap 1: The first gap was that the customer's expectation of how the service should be, was sometimes inconsistent with what the management thought the customers expected the service to be. This meant that the management of service companies are unsure of what customers really expect.

Gap 2: there is a gap between what the management deem the consumer's expectation of quality service to be and the quality of service the organization can actually offer.

Gap 3: there is a gap between the quality of service that is supposed to be offered to customers and the quality of service that is actually offered to customers

Gap 4: there is a gap between the services that are rendered to customers and what the customers were promised by the service organizations.

Gap 5: with all the above gaps put together, the customers' expectation of what they expected the service to be becomes different from the service that they actually received. This gap could be wide or could be small depending on the difference between the customers' expectation and the service actually rendered. This is because the expectation could be ideal or it could be tolerable. Ideal meaning that, the customers expect nothing less than a particular standard. Tolerable means that the customers could accept a service that is close enough to the perceived standard.

2.6.2 Measurement of Service Quality

It is generally hard to measure services because they are intangible (Eshghi et al., 2008). However there needs to be some form of measurement in order to fully understand this concept. Measuring service quality also helps the organization to recognize the improvements in their services after making changes. It also helps the organization to know where they falter (Chingang and Lukong, 2010). Various researchers have measured service quality using various measurements.

Some researchers have also used Cronin & Taylor's SERVPERF model developed in 1992 for the measurement of service quality. The SERVPERF model is the abbreviation for service performance and as the name implies, it measures service quality with regards to how customers perceived the services rendered by the organisation. The criticism of the SERVPERF model

is that it does not take into consideration how customers expect the organizations to offer services.

The evaluated performance model by Teas (1993) measures the ideal standard of service that the organization should have offered in addition to the customer's perceived quality of service. The criticism of this model is that it does not take the customer's expected service quality into consideration just like the SERVPERF model.

In measuring the service quality and in an attempt to bridge the gap between the customers' expectation and the actual service rendered, the SERVQUAL model is mostly used.

2.6.3 The SERVQUAL Model

Several researchers have tried to measure the quality of service using different approaches. However, their approaches were not able to fully incorporate all the aspects of service quality as the SERVQUAL model does. The SEVQUAL model is the model used to measure the quality of service. It is a twenty-two-point measurement model that was introduced by Parasuramanet al. (1988), which has gained confidence across the world. The SERVQUAL model is the abbreviation of Service Quality. It is widely accepted and recognized for the measurement of service quality. This model explains that the service quality is a difference between what customers expected a service to be and how the service actually was (Paul et al., 2016). The SERVQUAL model uses five dimensions for its measurements.

2.6.4 The 5 Dimensions of SERVQUAL

1- Assurance

This is where the staff demonstrate confidence in their duties. It shows they are able to offer the services required by the customers. It greatly influences the quality of service (Ghost and Gnanadhas 2011; Lohani and Bhatia 2012).

Jain and Gupta (2004) purported that assurance influences customer satisfaction greatly.

2- Tangibility

This has to do with the things that can be seen and touched in the banking sector. It includes the physical building, the staff of the bank, the equipment among others. According to Sanjuq (2016), the visually appealing elements in the banking sector has a great influence on the customer's perceived quality of the service. Ghost and Gnanadhas (2011) in a study also purported that tangibility has little impact on customer satisfaction as compared to the other factors of the SERVQUAL model.

3- Responsiveness

This has to do with the eagerness to respond to customer needs. It refers to how prompt the services of banks are (Kotler et al., 2009) and how timely the bank's services are to customers. It describes how the bank staff are quick to respond to the inquiries and needs of the bank's customers. The responsiveness of the organization greatly influences customer satisfaction (Lohani and Bhatia 2012).

4- Empathy

This has to do with how the service providers pay attention to their customers and give them care by trying to understand the needs of the customers. It deals with how service industries are able to understand, communicate and provide customer specific services (Ennew&Waite, 2013). Being empathetic to the needs of customers gives the customers a great sense of satisfaction.

5- Reliability

this is the ability of the banking sector to execute their tasks of servicing satisfactorily. Ennew& Waite(2013) however describe reliability as the ability of a bank's customers to depend on the promises of that bank to provide a certain level of service without being let down or disappointed. According to Jain and Gaur (2012), reliability has low impact on customer satisfaction. However, Lohani and Bhatia (2012) purported that reliability greatly influenced customer satisfaction. This was also confirmed by other researchers who purported that reliability as a SERVQUAL dimension had a great influence on customer satisfaction (Shanka, 2012; Lee&Moghavvemi, 2015)

2.6.5 Criticism of the SERVQUAL model

The criticisms have to do with the adequate measurement of the dimensions of the SERVQUAL model. The first criticism is with the measurement of reliability. Previous research explained that the different approaches to measuring reliability as a dimension sometimes resulted in the score of reliability being always low as compared to other factors. That is, it does not adequately capture the real results of reliability. The second criticism has to do with the measurement of expectation. There are different aspects of expectations and it is difficult to differentiate between them when making evaluations. Expectations could be based on how ideal customers expect services to be performed. It could also be based on the minimum tolerable expectation customers have. However, because customers' expectations are intangible, it is difficult to know the difference between what the customers actually expect and this makes it difficult to measure adequately. Despite the criticisms of the SERVQUAL model, it still remains the best service quality measuring instrument and it is the most used around the world.

2.7 Customer satisfaction

According to Ibojo and Asabi (2015), companies aim to satisfy their customers as customer satisfaction also serves as a foundation upon which other objectives can be built upon and achieved. They also added that it reflected the organization's achievements. Safi (2017), explained that a satisfied customer represents essential information to various stakeholders like the company management, policy makers, rivals and other customers, among others.

Belas et al (2015) explained that as a result of different crises that have occurred in the banking sector, customers are now sensitive to banks' activities. It is therefore crucial that these activities ensure that customers are well taken care of and are satisfied if the banks have any hope of retaining them and maintaining good reputation. Koraus (2011) purported that a satisfied customer translates into a loyal customer and retaining them requires as much as five times less effort and money compared to recruiting a new one. Customer satisfaction is therefore highly important and at the heart of a successful business and long-standing enduring relationship between the company and the client.

Ibojo and Asabi (2015) stated that in order to achieve customer satisfaction there is need to know, understand the needs of the market and meet and fulfil them. Similarly, Al-Maslam (2015) contends that the environment is now highly competitive and one way of achieving a competitive edge as well as sustainable advantage is through customer satisfaction. The scholar also supported the notion that understanding of the market is the focal point of achieving customer satisfaction. Al-Malam (2015) also pointed out that increased customer satisfaction also leads to inelasticity of demand of products.

However, Patterson and Paul (1993) explained that the even if the firm achieves customer satisfaction, it should focus on measuring, reviewing and revaluating customer satisfaction so as to maintain the edge over rivals and keep abreast with environmental developments. This is because the wants and preferences of consumers can change as a result of factors like technological

development. Therefore, it is essential that the firm is up to date with all key elements that may improve customer satisfaction.

Iqbal and Shah (2016) highlighted that customer satisfaction improved customer retention. This is because when customers are satisfied they will keep coming back again for more and their recommendations to others will also attract new customers for the organization. Marr and Crosby (1992) highlighted that there is a multi-dimensional element to customer satisfaction and customers evaluate many things for them to consider themselves satisfied. Some of these elements pertain to durability of product, ease of use and perceived value (Barbera and Mazursky, 1983).

According to Gronholdt et al (2000) companies which used the low-price strategy actually derived higher customer loyalty as a result of customer satisfaction. However, in as much as those companies that had an aggressive branding strategy achieve high customer satisfaction, they usually have lower customer loyalty.

2.7.1 Theories of customer satisfaction

These theories attempt to explain the way customers make judgements about their satisfaction. The theories can be basically grouped into three and these are the expectancy disconfirmation, equity and attribution theories. The expectancy disconfirmation paradigm theory is the most widely accepted theory (Anic & Radas, 2006)

2.7.2 Expectancy disconfirmation paradigm

This theory was developed by Oliver (1980). This theory has to do with the comparisons that are made by the consumers between their expectations and the performance of the product or service. The theory explains that initially expectations are made by the consumer before purchase of product or service. Consumption occurs after and the experience is also subjected to the expectations one had beforehand.

According to Oliver (1980) the paradigm adjustment of performance occurs on expectation when the performance is deemed to be a little bit less than the expectations. This process is called assimilation. However, there will be a contrast if the perceived performance falls short of the expectations by a wide margin. Unfortunately, according to Lankton et al (2014) it is difficult for the performance to live up to the expectations and this is the reason why there is negative disconfirmation with increase in expectations. The diagram below shows the expectation disconfirmation paradigm.
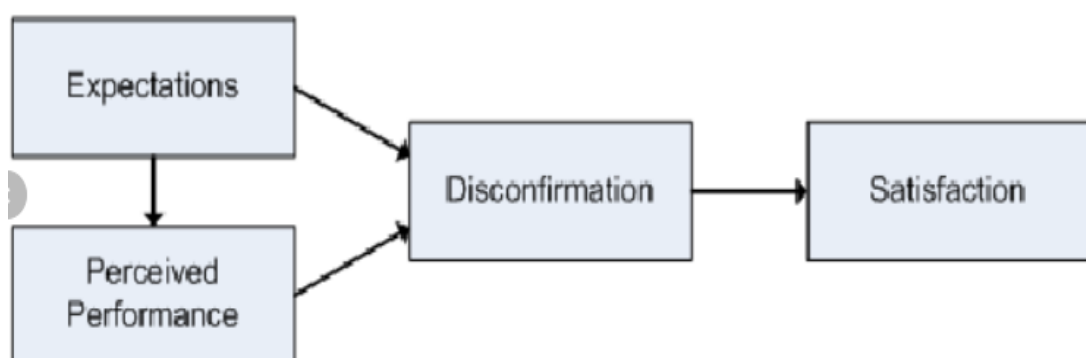
Figure 2.4 Expectation disconfirmation paradigm

Source: Anic and Radas (2006)

According to Aigvaboa and Twala (2013) and Oliver (1980), positive confirmation is generated where performance is better than expectation; contrast generated where negative confirmation occurs, that is, where performance is outweighed by expectation and zero disconfirmation where performance equals outcome. The effects would be customer satisfaction, customer dissatisfaction and no effect on customer satisfaction, respectively.

According to Alkhani and Bakri (2012) this theory can be used to explain perceptions in quality as well where differences can lead to satisfaction or dissatisfaction. SimilaryAnic and Radas (2006) explained that the paradigm above can also be used to explain customer loyalty. They explained that positive perceptions lead to customer satisfaction and this ultimately leads to customer loyalty intentions.

2.8 Empirical Literature

Leninkumar (2017) studied the relationship between customer satisfaction and loyalty in SriLankan banks. The scholar looked at customer loyalty, trust and satisfaction. The scholar discovered that the external environment for banks was increasingly being competitive and banks were out to improve customer loyalty in a bid to improve financial position and growth. The findings from the study reflected a significant and positive relationship between customer satisfaction and loyalty and also that customer trust improved the link between the two.

Ibojo and Asabi (2015) conducted a study on customer satisfaction and loyalty in Nigerian banks. Their studied highlighted a very positive and significant impact of customer satisfaction on customer loyalty. Their study revealed that as little as a percentage positive change in customer satisfaction resulted in as much customer loyalty as 67%.

Safi (2017) conducted studies on customer satisfaction and loyalty in the telecommunication industry in India using brand image as a mediating variable between the two dimensions. A significant and positive correlation was found to exist between customer satisfaction and loyalty and the scholar also discovered that positive brand image served to improve both customer satisfaction and loyalty.

Chauhan et al (2015) conducted, an investigation on the relationship between customer satisfaction and loyalty in the health sector. They explained that profits in the health sector are dependent on customer satisfaction. They found that customer satisfaction had a significant impact on customer loyalty and also stressed on the importance of service facility's role in enhancing customer satisfaction.

Cheserek et al (2015) studied customer satisfaction in Kenyan commercial banks and how quality financial services had an effect on it. They stated that quality of service improved customer satisfaction and translated motivated the banks into better performance. They also explained that service quality is dependent on one's experience as well as one's expectations. They conducted

teir study based on the five dimensions of service quality by Parasuraman et al (1988). They discovered that reliability and empathy were the two dimensions of quality that most affected customer satisfaction. They recommended that banks also concentrate on responsiveness and attributes as this was found to be lacking in the Kenyan banks.

Gyabi and Shrivas (2016) conducted studies concerning security in rural banking sector in Ghana. The scholars explained that security is there for protection of data and preventing unauthorized access to information and that the management has the responsibility for decision concerning data security. Their study revealed that a significant number of rural banks did not fully implement information and communication technology. They recommended building employee awareness to stress the importance of data security.

Subrahmanyam et al (2014) studied information security and risk management in the banking sector in India. They explained that because of all the security threats and risk of security breaches, it is necessary that the banks put in place measures for risk assessment, prevention and mitigation and generally improve on their risk management. They also added that vulnerabilities should be explored and identified regularly so as to ensure that strong and effective controls are put in place so that security threats are kept at a minimum.

Similarly, Munir and Marnavi (2018) conducted a case study in Pakistani banks based on information security. They stated that establishment of loopholes was necessary for the implementation of effective information security measures. Their findings from the five banks that they used in their study revealed that there was a general lack of information security culture within the banks despite the operational and technical controls being implemented.

Waheed et al (2013) attempted to find out the role of customer satisfaction and security in turnover intention from traditional to internet banking. They found that there was a significant relationship between customer satisfaction and security with the intention to change to internet banking. They found negative correlations between satisfaction and satisfaction towards turnover intention to internet banking. They recommended improvement in the quality of services

and creating awareness on the benefits of internet banking and government support.

Paul et al (2016) conducted a study on a comparison base of service quality on customer satisfaction in the private and the public sector in India. Their findings revealed that prompt service, increased effort in reduction of quieting time and problem-solving skills had a positive relationship with customer satisfaction. On the other hand, knowledge of services and efficient service was found to be positively associated with customer satisfaction. However, there was also a similarity in that appearance was negatively related to customer satisfaction in both the private and public banks.

Saaleem and Raja (2014) examined service quality in the hotel industry in Pakistan. They examined the relationship between service quality, brand image customer satisfaction and loyalty. Their findings revealed that improved service quality went a long way in boosting customer satisfaction and this in turn also improved customer loyalty.

Awan et al (2011) conducted a comparative study of public banks and Islamic banks in Pakistan with regard to service quality and customer satisfaction. They used multi-dimension in measuring service quality. Their study stressed the importance of service quality and its importance in evoking behavioural intentions towards customer satisfaction.

2.9 Conclusion

This chapter focused on review of literature from previous scholars who studied customer satisfaction in the banking sector around the world. It also dealt with issues of customer loyalty and its different types. The chapter also dealt with issues of security in the banking system, service quality and its dimensions. Lastly on the variables it dealt with customer satisfaction as well as the popular theories surrounding it. The researcher also went on to explore the empirical literature as provided by studies that were done on customer loyalty, security and customer satisfaction and the discoveries.

CHAPTER 3

PROBLEM FORMULATION

3.1 Introduction

This chapter represents the foundation upon which the whole study was conducted. It introduces the conceptual framework that acted as the frame of the study depicting the conceptual model as well as the hypothesis that guide it. In addition, the researcher provided the research objectives and the research questions built from them. This leads to the subsequent formulation of the problem statement of the study.

The researcher came up with the conceptual model following the literature review of studies that were related to the researcher's topic. The independent variables consisted of customer loyalty, security and service quality and the dependent variable customer satisfaction.

3.2 Conceptual model
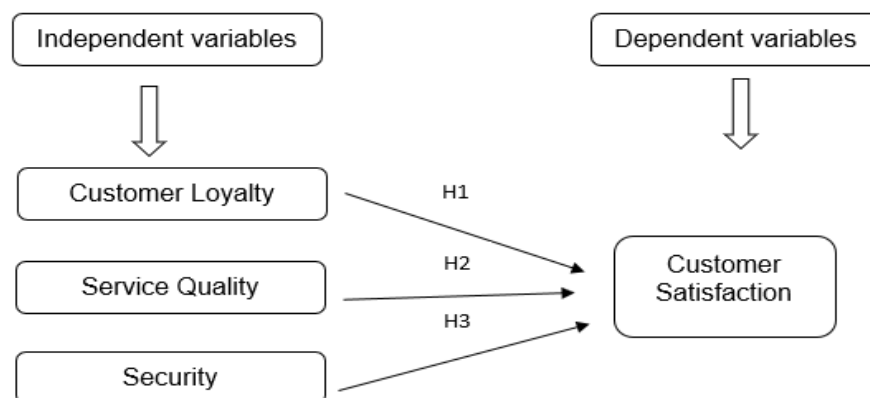
Figure 3.1 Conceptual model

Development by Researcher

3.3 Development of Hypothesis

Gronholdt et al (2010) stated that customer satisfaction is of key importance if a firm wants to achieve customer loyalty. This was also highlighted by Picon et al (2014). The scholars added that the attractiveness of other alternatives also affects the level of customer loyalty. This therefore means that banks should use customer satisfaction to have an edge over rivals and garner customer loyalty. Some scholars concluded that satisfied customers do not exactly translate into loyal customers and neither does loyal customers mean they are satisfied (Reichheld, 1994). However, based on the conceptual model of Oliver (1999) there is a positive link between customer satisfaction between customer loyalty. The researcher therefore formulates the following hypothesis:

H1 Customer loyalty has a positive relationship with customer satisfaction, according to Saleem and Rashid (2011) security in banking transactions helps with ease of use of facilities as well as reduction of risks. Belas et al (2016) explained that banks should take proper measures to protect the assets of the customers. This is because customers are concerned with protection and confidentiality. Ambhire and Teltumde (2010) also stressed the importance of security in improving customer satisfaction. The researcher therefore formulates the following hypothesis:

H2 Security in banks has a positive relationship with customer satisfaction

According to Anand Selvaraj (2012) service quality is of utmost importance in the banking sector. They added that banks should strive to provide innovative services in order to improve service quality as well as satisfy the customers. This notion was also highlighted by Vanpariyah and Ganguly (2010) who stated that there is a positive correlation between service quality and customer satisfaction. Murugiah and Akgam (2015) stated that banks with high quality services had a cutting edge over their rivals. This leads the researcher to the third hypothesis of the study:

H3 Service quality has a positive relationship with customer satisfaction

3.4 Hypothesis summary

Hypothesis	
H1	Customer loyalty has a positive relationship with customer satisfaction
H2	Service quality has a positive relationship with customer satisfaction
H3	Security in banks has a positive relationship with customer satisfaction

3.5 Problem statement

Globalization has led to improved competition in all industries. Banks also need to retain their customers and attract new ones and one of the ways of doing that is through customer satisfaction (Shah et al, 2015). However, there is also need for improvement in service quality as well as security to ensure that customers feel secure doing their business and the service that they get is top notch. In addition, customer loyalty is very important in this environment as it can aid the banks' expansion and provide assurance of a consistent source of revenue. There is also growing concern about security especially given the technological advancement which puts customers' information at risk. This is lacking in many banks and they end up losing customers. It is therefore the purpose of this study to shed more light on issues of security, service quality and customer loyalty in relation with customer satisfaction so that the highest level of satisfaction can be achieved. In addition, there are not many studies based on private banks in Northern Iraq based on these variables but their importance cannot be overlooked. This study therefore also aims to fill that gap in literature.

3.6 Research questions

1. Does customer loyalty have a positive relationship with customer satisfaction?
2. Does security in banks result in customer satisfaction?
3. Does service quality lead to customer satisfaction?

3.7 Conclusion

This chapter dealt with the conceptual framework and problem formulation of the study. The researcher developed the study model that guides this study and developed hypotheses based on the prior literature and provided the questions and hypothesis that form the basis of this study. The hypotheses will be tested in later chapters and the questions answered then as well.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

This chapter presents how the whole data collection process was mapped out. It identifies the research design and approach which constituted the guidelines that provided the course of the study. The researcher also gave the sampling technique through which the respondents were selected and the sample that constituted the participants of the study. In addition, the researcher explained how they were going to collect the data and the instrument that would be used for such purpose. The measurement of variables was also explained as well as the source of the research instrument and factors that would make it valid and reliable for this and other future studies. The researcher also explained the protocol they observed and complied with in conducting the research and finally explained briefly how the data analysis was going to be carried out.

4.2 Research design

According to Creswell (2003) the research design represents the broken-down plan that is intended to derive answers to the research problems of the study. This follows a procedure and brings all the variables of the study into focus. The research design also helps the researcher with a plan for data collection, its analysis as well as its subsequent interpretation (Nachmias, 2003). Kumar (2011) added that a research design is also beneficial in that it enables the researcher to extract as much information as possible using the minimum

resources. This study will be based on a survey research design that is descriptive in nature. Kothari (2004) stated that a descriptive research design outlines everything clearly, with clear identified problems and predictions made. The scholar also added that the research design works within certain limits in order to limit ambiguity and the main topic being strayed from. The researcher's study follows similar guidelines and therefore can be classified as descriptive in nature. The study is also cross sectional. This means that it captures responses at a certain point in time and provides an image of the situation at that particular moment in time. The study unit comprises of the customers of the bank in a natural environment. They will therefore be approached whilst they are going about their business in the banks.

4.3 Research approach

This study is based on the deductive approach. According to Gill and Johnson (2002) the deductive approach follows certain steps which start with the formulation of the hypothesis. This is followed by operationalization, testing of the theory and making final conclusions some of which may result in new information or theories. They emphasize that it is a process where tests are conducted and justified. The researcher's study also follows these procedures with identification of hypothesis and tests to be conducted as part of the study; hence it follows the deductive approach. In addition, the study will be based on the quantitative approach. This study will be using statistical techniques in the investigations in of the study. It will also be based on numerical data and the researcher felt this would best explain the relationships, if any, of the variables.

4.4 Population and sampling

According to Kothari (2004) populations represents all the elements that are under study. The targeted population for this study is public banks in Northern Iraq. The researcher cannot access all of them because of time and confidentiality in other banks, therefore, we will approach the private banks'

group in Northern Iraq, hence its selection. The researcher's study subject is customer satisfaction in Northern Iraq banks, therefore, the target of the study is the customers who frequent the bank. The researcher will use the random sampling technique which is a probability sampling technique in the selection of respondents. This sampling technique has the advantage of representing all variables, thus the selection by the researcher.

4.4.1 Sample

A sample is a fraction of a whole which represents a total population. The sample size for this study will be 210 respondents and, in this case, customers of private banks' group. The number was chosen by the researcher following the guidelines of Malhotra (2007) who stated that a good number of respondents for a marketing research study should be above 150 and not more than 300 so that conclusions can be generalized sufficiently.4.5 Method of data collection. We randomly selected seven local banks in Erbil. The questionnaire was distributed according to attendance and availability of customers in these banks.

Table 4.1 List of names of banks covered by the search

No	Name of private Banks
1-	Cihan bank
2-	Kurdistan International Bank
3-	BBAC Bank
4-	Byblos Bank
5-	Blom Bank
6-	RT Bank
7-	AL- Baraka bank

Out of 210 distributed forms returned to 203 questionnaires, and after coding and entering the data, I found that three forms are not valid to be relied upon and therefore we entered only 200 questionnaires.

Table 4.2 Distribution of questionnaires

Distributed questionnaires	210	%100
Questionnaires returned	203	%96
Questionnaires entered	200	%95

4.5.1 Primary data

Data for this study will be collected from both primary and secondary sources. Primary sources entail data that is collected direct from the source for the first time and this will be advantageous in that it will be tailor made specifically for this study. The researcher will therefore collect this data from bank customers as they are the target of this whole study.

4.5.2 Secondary data

In addition, the researcher will also make use of secondary data, that is, data already in existence collected previously for other studies. The secondary data sources for this study are journals, articles, textbooks and the internet as well. Secondary data has the advantage of being conveniently available and ready to use.

4.6 Research instrument

The instrument for data collection for this study will be a questionnaire. The study is quantitative in nature and therefore the researcher chose this method so that he will be able to quantify the data and provide numerical data. The questionnaire was adopted from the prior work of Akgam (2013) from a study on customer satisfaction conducted in Libya. The researcher will administer the questionnaires to the customers as they set about doing their transactions. The questionnaire is structured in nature and divided into five sections. The researcher chose the structured questionnaire so that the responses captured in the study will not be too ambiguous to categorize for measurement

purposes. Kumar (2011) advocates that close ended questions eliminate the possibility of respondents going off topic. In addition, it was chosen because of its advantages of appropriateness for large samples and allowing the respondents to think and answer at their own convenience. However, there is always a danger of people doing a rush job or not responding at all (Kothari, 2004). The first section introduces the elements of the study to the respondent, briefing them about the study and assuring them of the confidentiality of the study. In addition, the first section deals with the demographic characteristics of the respondent as these will be used in the analysis chapter for comparison purposes. This is followed by the sections on the assessment of customer satisfaction in banks divided into sections according to the variables. The second to the fifth section deal with customer satisfaction, customer loyalty, service quality and security respectively.

4.6.1 Pilot testing

It is essential that the respondents understand what is being asked and also that the researcher knows beforehand if there will be any problems with his research instrument. Respondents may interpret the instrument in a totally different way from the researcher's intention therefore the researcher needs to determine if the respondents are in sync with his study. One of the ways of addressing these two issues is through pilot testing. The researcher will therefore conduct a pilot test in order to determine if the respondents are going to encounter any problems with understanding the questionnaires. Twenty questionnaires will be distributed as a pilot test and if there are any issues these will be subsequently addressed before the final questionnaires are distributed.

4.6.2 Measurement

It is essential that the variables in a quantitative study be measurable. There are a number of techniques that can be used in measuring variables. The researcher will employ a five-point Likert scale which ranges from strongly

disagree as (1) to strongly agree as (5). The researcher decided on this scale as he felt a lower scale would have been insufficient to cover all the responses and a larger scale may have turned out to be too ambiguous.

4.6.3 Reliability and validity

It is vital to ensure that the research instrument used is reliable in order to ensure replication of results in the future as well as to ensure that the results obtained can also be relied upon to provide objective conclusions. The researcher will therefore conduct reliability tests by using the Cronbach Alpha and adopt the research instrument if reliability is ensured or discard the research instrument in favour of a more reliable one if the results show unreliability. In addition, validity also has to be ensured so that conclusions reached are appropriate and can really be generalized over the population. The researcher achieved this through careful planning of the whole study and determining the existence of the problem on the ground and employing the appropriate methodology to solve it.

Table 4.3 Reliability test		
Variables	Cronbach's alpha	N of items
Customer satisfaction	.605	6
Customer loyalty	.529	5
Service quality	.513	4
Security	.749	6
Overall	.828	21

For measurement the reliability and trust of the variables of the study, we relied on the result of overall variables as shown in table 4.6.3 that used for 21 items of four variables is .828 and it means that the reliability of the variables is high. According to (Sekeran, 2003) if Alpha more than 0.60 in general is acceptable.

4.7 Ethics

According to Bell (2007), it is necessary that ethics be observed in social research. The researcher strived to adhere to maintaining ethics in a number of ways. Firstly prior to conducting the research, the researcher sought the permission of the university's Ethics Committee to conduct the study. After gaining this, the researcher sought the permission of the banks in which he conducted the study so that he will gain the cooperation of the banks. All the participants of the study were asked for their consent to participate in the study. In addition, the researcher ensured the respondents of their privacy and confidentiality by excluding their names in the study as well as using the results of the study for the purposes of the study only. The respondents, therefore, participated anonymously.

4.8 Data analysis

The researcher will make use of the Statistical Package of Social Sciences (SPSS) in conducting the data analysis of the study. The researcher will conduct different tests including determining the reliability of the research instrument for the current and future studies. The researcher will also make use of descriptive statistics in order to determine frequencies of certain statistics. Correlation and regression analysis will also be conducted in order to determine the relationships, if any, between the variables as depicted in the conceptual framework.

4.9 Conclusion

This chapter presented the map of the study through the methodology. The researcher outlined how he is going to collect the data for the study, the research design and approach it is based on as well as the kind of data which will be collected. The researcher also addressed the tests that would be done in analysing the data, ensuring the research instrument is reliable and the researcher's compliance to ethical guidelines in research.

CHAPTER 5

FINDINGS

5.1 Introduction

this chapter explains the data analysis of our study, however, the researcher has used the SPSS program for find the results and the program version is 20.0 to the reach major goal of this study, such as descriptive statistics for the demographic section, regression model, correlation, normality test, and measurement of relevant of important answers of customers, also based on the results were exciting we decide to accept or reject the hypothesis.

5.2 Statistical description of personal information

Table 5.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	200	1.00	2.00	1.4300	.49632
Age	200	1.00	4.00	2.0700	.88828
Education Level	200	1.00	4.00	2.2050	.79759
Type of employers	200	1.00	3.00	1.8450	.62685
How long have you been customer of this bank?	200	1.00	4.00	2.3900	.97088
Monthly income	200	1.00	4.00	2.9400	.86611
Valid N (listwise)	200				

5.2.1Statistical Description by Gender

Table 5.2 shows that the majority of the participants were men and reached by (57%) are 114, followed by the 86 females (43%).

Table 5.2

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	114	57.0	57.0	57.0
Valid	Female	86	43.0	43.0	100.0
	Total	200	100.0	100.0	
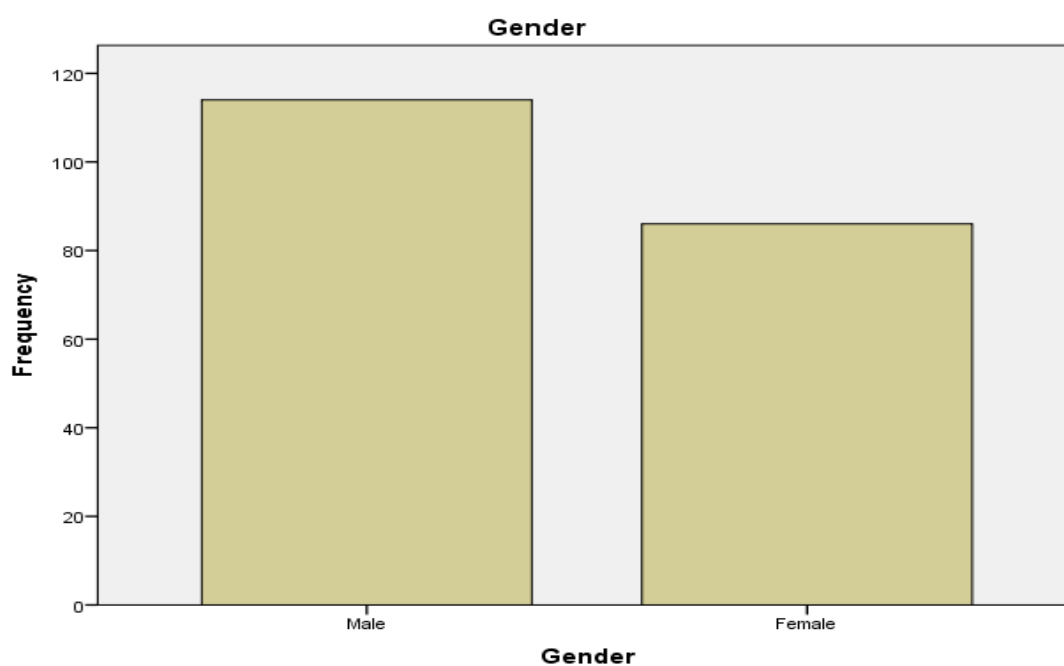
Figure: 5.1

5.2.2 Statistical Description by Age

Table 5.3 shows that most of the customers in the study were aged 21 to 55 and above, most of the respondents were 31-40, they accounted for 40 percent.

Table 5.3

		Frequency	Percent	Valid Percent	Cumulative Percent
	21-30 years	59	29.5	29.5	29.5
	31-40 years	81	40.5	40.5	70.0
Valid	41-50 years	47	23.5	23.5	93.5
	Over 51 years	13	6.5	6.5	100.0
	Total	200	100.0	100.0	

5.2.3 Statistical Description by Education

In the statistical analysis of the educational level of the participants, as shown in the below table, we found that the majority of respondents had a master's degree. With 53% reaching 107 customers. Followed by a PHD degree and a bachelor's degree, a small proportion of participants have another level of education.

Table 5.4 Education level

		Frequency	Percent	Valid Percent	Cumulative Percent
	BA	33	16.5	16.5	16.5
	Master	107	53.5	53.5	70.0
Valid	PhD.	46	23.0	23.0	93.0
	Others	14	7.0	7.0	100.0
	Total	200	100.0	100.0	

5.2.4 Statistical Description by employees

As for the type of work they do, we see that the majority of the participants were government employees, amounting to 117, and 58.5 percent, followed by workers in the private sector and then come after them who work for themselves as free entrepreneurs.

Table 5.5 Statistical Description by employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Private	57	28.5	28.5	28.5
Government	117	58.5	58.5	87.0
Self-employed	26	13.0	13.0	100.0
Total	200	100.0	100.0	

5.2.5 Statistical Description by Period of dealing with the bank

The table below shows that the rate of dealing with the bank for participants was close to some. The customers' rate of dealing with banks included in the research was five years.

Table 5.6 How long have you been customer of this bank?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Less than 1 Year	40	20.0	20.0	20.0
	1-6 years	72	36.0	36.0	56.0
Valid	7-10years	58	29.0	29.0	85.0
	More than 10 years	30	15.0	15.0	100.0
	Total	200	100.0	100.0	

5.2.6 Statistical Description by Monthly income

The statistical description of the monthly income of customers shows that the majority of customers receive 600 to 1000 dollars per month, and five percent of participants get less than $ 300.

Table 5.7 Monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
	Less than $300	9	4.5	4.5	4.5
	$300-600	54	27.0	27.0	31.5
Valid	$600-1000	77	38.5	38.5	70.0
	More than $1000	60	30.0	30.0	100.0
	Total	200	100.0	100.0	

5.4 Regression analysis

According to the regression analysis to kwon accepting or rejecting our hypothesis the R square is 32% and it means that the independents variables explain by 32% the dependent variable, also the adjusted R square is .315, and the results has been shown in table 5.8.

Table 5.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.570a	.325	.315	.46095

a. Predictors: (Constant), security, customer loyalty, Service_Quality

Based on table (5.10), we have to check the significant statically level if the results less than 0.05 it means the null hypothesis will be rejected and the hypothesis one is accepted, therefore in a situation the significant level greater than 0.05 the null hypothesis will accept and the hypothesis is rejecting. The hypothesis is in bellow:

H1: customer loyalty has a positive effect on customer satisfaction

H2: Service quality has a positive effect on customer satisfaction

H3: Security in banks has a positive effect on customer satisfaction

According to table (5.10), the significant level (P-value) in the independent variable (customer loyalty) is 0.000 and it means that the first hypothesis is accepted due to the result less than 0.05. however, customer loyalty has a positive effect on customer satisfaction.

The P-value for another independent variable (service quality) is 0.387 and based on the result the significant level greater than 0.05 and it means that the null hypothesis will be accepted and it has been that service quality has a negative effect on customer satisfaction.

for the third hypothesis, the resulting of P-value is 0.000 for security as the third independent variable and it means that the result less than 0.05 and it tells us the third hypothesis should be accepted and the H3 will be that security has a positive effect on customer satisfaction, the summery of the hypothesis has been shown in table 5.10.

Table 5.9 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.082	3	6.694	31.505	.000[b]
	Residual	41.645	196	.212		
	Total	61.727	199			

a. Dependent Variable: customer satisfaction
b. Predictors: (Constant), security, customer loyalty, service quality

Table 5.10 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.365	.265		5.155	.000
	customer loyalty	.318	.062	.347	5.094	.000
	service quality	.056	.065	.063	.867	.387
	Security	.281	.075	.274	3.736	.000

a. Dependent Variable: customer satisfaction

Table 5.11 Results of Hypothesis

Hypothesis	Assumption	Results
H1	Customer loyalty has a positive effect on customer satisfaction	Supported
H2	Service quality has a positive effect on customer satisfaction	Not supported
H3	Security in banks has a positive effect on customer satisfaction	Supported

5.5 correlation test

Correlation test used to know the relationship between dependent and independents variables and findings the significant level between them, and the results were gotten from the test should be between -1 and +1.

Based on table 5.12 it shows that the correlations between the dependent variable (customer satisfaction) and independent variables (customer loyalty, service quality, and security) are significant due to all results less than 0.05 and positive relationship because of all results are positive and above 0. Therefore, the correlation between the independent variables is positive and significant. The highest correlation is .550 it is between service quality and security and the lowest correlation is 0.385 it is between customer satisfaction and service quality.

Table 5.12 Correlations

		customer satisfaction	customer loyalty	service quality	Security
customer satisfaction	Pearson Correlation	1	.501**	.365**	.468**
	Sig. (2-tailed)		.000	.000	.000
	N	200	200	200	200
customer loyalty	Pearson Correlation	.501**	1	.436**	.459**
	Sig. (2-tailed)	.000		.000	.000
	N	200	200	200	200
service quality	Pearson Correlation	.365**	.436**	1	.550**
	Sig. (2-tailed)	.000	.000		.000
	N	200	200	200	200
Security	Pearson Correlation	.468**	.459**	.550**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200

**. Correlation is significant at the 0.01 level (2-tailed).

5.6 Test of normality

The table 5.13 shows that all the result of variables is significant, meaning that the value of all of them is less than 0.05. It is therefore clear to us that the distribution of data for all variables follows an abnormal distribution. For more details see Appendix 2.

Table 5.13 Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
customer satisfaction	.090	200	.000	.967	200	.000
customer loyalty	.093	200	.000	.981	200	.008
service quality	.153	200	.000	.928	200	.000
Security	.124	200	.000	.899	200	.000
a. Lilliefors Significance Correction						

5.7 Statistical description of mean customer answers

Statistical description of the respondents' responses to the questionnaire by each paragraph and variable.

Table 5.14

1-Customer satisfaction						
Variables questions	N		Mean	Std. Deviation	Minimum	Maximum
	Valid	Missing				
This Bank is exactly what I need.	200	0	4.0650	.82106	1.00	5.00
The information that presented by this Bank is accurate	200	0	4.0400	.70775	1.00	5.00
There are privacy policies in this Bank	200	0	3.3300	1.28427	1.00	5.00
There are guarantees of this Bank	200	0	3.9750	.87073	1.00	5.00
This bank gives breadth and depth Customer service	200	0	3.7650	.97185	1.00	5.00
I will be more satisfied if the bank offered an Islamic transaction	200	0	3.7600	1.00371	1.00	5.00

The respondents' responses to customer satisfaction questions as Dependent variable show us that the highest average arithmetic has been obtained by the first question, that obtain 4.0650 mean, and Std. Deviation about 0.82.

Table 5.15

Variables questions	N		Mean	Std.	Minimum	Maximum
2- Customer loyalty						
	Valid	Missing		Deviation		
I will always use this Bank in my bank activities/ transactions	200	0	3.5150	1.13853	1.00	5.00
I will Say positive things about the bank to other people	200	0	3.9900	.79565	1.00	5.00
I seldom consider switching away from this bank	200	0	3.6200	.97486	1.00	5.00
I will never change this Bank even I found another bank which offer completely Islamic transactions	200	0	3.3900	1.04082	1.00	5.00
I will never change this Bank unless I found another bank which offer completely Islamic transactions	200	0	2.9700	1.16442	1.00	5.00
I will always use this Bank in my bank activities/ transactions	200	0	3.5150	1.13853	1.00	5.00

.

As for the questions of the first independent variable (customer loyalty), we find through the table above that the majority of respondents agree on the second question about calling new customers to the bank. Then we see that most customers do not agree with the question of changing banks to Islamic banks.

Table 5.16

Variables questions	N		Mean	Std.	Minimum	Maximum
3- Service quality						
	Valid	Missing		Deviation		
This Bank offers fast and efficient services	200	0	3.9200	.85278	1.00	5.00
Friendliness of bank personnel	200	0	4.0300	.86768	1.00	5.00
Parking facilities and accessibility and Convenience of location	200	0	2.6850	1.23426	1.00	5.00
I think this Bank is easier to change its transaction to Islamic way than other Banks	200	0	3.8200	.91750	1.00	5.00

Regarding the quality of service, which is one of the other independent variables; we note that the customers of the banks covered by the research are dissatisfied with the car garage. The mean of answers to this question were 2.6850 and standard deviation was 1.23426. But one of the positive points of the bank was related to customer satisfaction and friendly handling of employees and mean of responds was 4.0300, with standard deviation.86768.

Table 5.17

Variables questions	N		Mean	Std.	Minimum	Maximum
4- Security						
	Valid	Missing		Deviation		
I feel safe when using this Bank	200	0	4.0650	.75739	1.00	5.00
Perform of the staff is well and it's impossible that I lose my transactions.	200	0	4.0050	.70531	1.00	5.00
The Bank cares about success of its customers	200	0	3.9500	.83124	1.00	5.00
The bank is very concerned with the security for my transactions	200	0	4.1850	.81492	1.00	6.00
The Bank keeps the customer information.	200	0	4.2800	.77758	2.00	6.00
I will feel more secure if the bank has Legitimate oversight board	200	0	3.9200	.98919	1.00	5.00

With regard to security section questions, the statistical description of the questions shows us that customers are very satisfied with the confidentiality of the bank as the bank keeps their information. The arithmetic mean was 4.2800 and the standard deviation was 0.77758. We also note that customers are hesitant about establishing a Shari'a Supervisory Board, where the level of their answers has not reached 4, which means the degree of approval of the question on this subject.

5.8 Conclusion

We conclude from this chapter the most important paragraphs of the study are statistical analyses, and we explained and interpreted all the tests. Where we obtained the results of the correlation between all variables and the logistic regression coefficient, and finally test how to distribute data and measure the level of customer response.

CHAPTER 6

DISCUSSION

6.1 Introduction

This chapter includes all discussions on conclusions, findings of research analyses, also recommendations and suggestions presented by researcher, so the first part of the chapter consists of the desired results to achieve the goal of the research. We then focused on recommendations and suggestions that could contribute to improving banking services and help future research.

6.2 Research Questions:

1.   Does customer loyalty has a positive effect on customer satisfaction?
2.   Does service quality lead to customer satisfaction?
3.   Does security in banks result in customer satisfaction?

6.3 Answers to research questions:

Through the results obtained from the data analysis, we reached the answers to the research questions:

1- Customer loyalty positively affects customer satisfaction.
2- In our case, quality of service does not affect customer satisfaction.
3- In the banks covered by our research, security affected customer satisfaction.

6.4 Discussion

We conclude from the answers to the research that the services provided to the customer vary according to the sectors, according to the type of activities and the marketing environment, in our current study, we see that some factors affecting the satisfaction of customers in a group of private banks in the city of Erbil, but quality of service provided did not effect on their satisfaction. There is the existence of an impact relationship between the broad environmental variables in the strategic planning of marketing, which means the need to pay attention to the dimensions of the marketing environment. So it can be said that the services provided by banks need to take care of customer satisfaction, in this study we note that security and loyalty positively affected the satisfaction of Iraqi citizens in Erbil. In addition, the search results can be summarized in the following points:

1- The majority of clients participating in this field study were male, most of who were government employees.

2- The customers' rate of dealing with banks included in the research was five years.

3- The result of multiple regression to determine the effect of independent variables on the dependent variable was different, the two variables (customer loyalty and security) have a strong impact on customer satisfaction. On the other hand, we note that the (service quality) provided by the bank did not affect the satisfaction of the customer, and therefore did not support our hypothesis.

4-For the test of correlation between variables, we see that all independent variables have a positive correlation among them. The correlation of the dependent variable with the independent variables was positive and statistically significant.

5- The result of the test of how the data is distributed is statistically significant, which means that our data is not distributed normally and moderately.

6- The response rate of customers participating in the field survey was good, so that it was close to the level that I agree with the questions in the questionnaire list.

6.3 Suggestions and recommendations

In this section we try to make a set of recommendations for the concerned parties. It is worth mentioning that the two beneficiaries of the research are the banking sector and its customers.

6.3.1 Recommendations for private banks

1- Private Banks in the city of Erbil (at least the banks covered by the search) should do their best to restore confidence to their customers on quality of service and improve their services.

2- The interest of private banks to open the rehabilitation and scientific courses to provide the best services to customers.

3- One of the important tasks of banks' confidence is the security aspect. They must reassure customers of the confidence and safety of their personal information and accounts.

4- Banks should avoid money laundering in order not to be the means of corruption prevalent in the country.

5- Banks should adopt a strategic liquidity management policy to avoid liquidity shortages, it also got recently because of the recent financial crisis, for provides meet the requirements of customers of depositors and borrowers.

6.3.2 Recommendations for future research

1- The scope of this study was the city of Arbil in the Kurdistan region of Iraq, while the future studies could include other cities in the region or all Iraqi cities.

2- This study focused on private banks only, and the upcoming studies can compare customer satisfaction between two or more types of banks.

3- In this study we selected three variables that can affect customer satisfaction, but we hope that future researchers will choose other factors and variables.

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LIST OF APPENDICES

Appendix 1: The Proposed Questionnaire

Dear Respondents, you are invited to participate in this survey a customer satisfaction of banking in North Iraq. This research is the fulfillment of completing my MSc of Science banking from University Near East of Cyprus I would appreciate if you could spare some time and thought in completing the survey questionnaires. I hope that you would co-operate in completing the questionnaire with the best of your ability. This questionnaire consists of five parts/sections. Part one consists of questions about your demographic profile; continue with part two about the service quality, the third part about customer loyalty, the fourth part trust, and the last part about customer satisfaction All information provided in this survey will no means reflect the identity of the participants. It will be kept strictly confidential and will be used merely for academic purposes.

Thank you

SECTION A: Respondent Profiles

This section intends to get information the respondents' demographic back-ground.

[Tick the box which answers is best describing you]

1-Gender
a-Male ☐ b- Female ☐

2-Age
a-21-30 ☐ b-31-41 ☐ c-41-50 ☐ d-more than 51 ☐

3- Education Level
a-Bachelor degree ☐ b-Master degree ☐ c-PHD degree ☐ d-Others ☐

4- Type of employers
a-Private ☐ b-Government ☐ c-Self-Employee ☐

5- How long have you been customer of this bank?

a-less than 1 year ☐   b-1-4 ☐   c-4-7 ☐   d-7-10 ☐   e-more than 10 year ☐

6- Monthly income

a-less than 300$ ☐   b-300-600$ ☐   c-600-1000$ ☐   d-more than 1000$ ☐

Assessment the degree of satisfaction of services offered by the bank

The following question aims to assess the degree of satisfaction of service offered by the bank. Please indicate your opinion by circling the appropriate number using the scale below:

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

SECTION B Customer Satisfaction	1	2	3	4	5
This Bank is exactly what I need.					
The information that presented by this Bank is accurate					
There are privacy policies in this Bank					
There are guarantees of this Bank					
This bank gives breadth and depth Customer service					
I will be more satisfied if the bank offered an Islamic transaction					

SECTION C Customer Loyalty	1	2	3	4	5
I will always use this Bank in my bank activities/ transactions					
I will Say positive things about the bank to other people					
I seldom consider switching away from this bank					
I will never change this Bank even I found another bank which offer completely Islamic transactions					
I will never change this Bank unless I found another bank which offer completely Islamic transactions					

SECTION D Service Quality	1	2	3	4	5
this Bank offers fast and efficient services					
Friendliness of bank personnel					
Parking facilities and accessibility and Convenience of location					
I think this Bank is easier to change its transaction to Islamic way than other Banks					

SECTION E Security	1	2	3	4	5
I feel safe when using this Bank					
Perform of the staff is well and it's impossible that I lose my transactions.					
The Bank cares about success of its customers					
The bank is very concerned with the security for my transactions					
The Bank keeps the customer information.					
I will feel more secure if the bank has Legitimate oversight board					

Appendix 2: Test of Normality
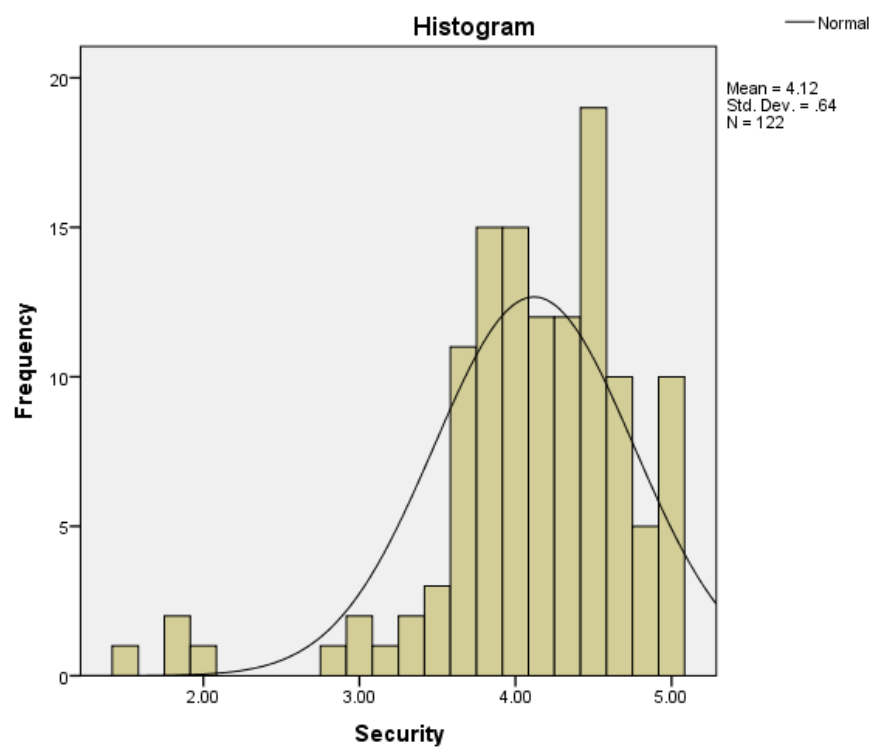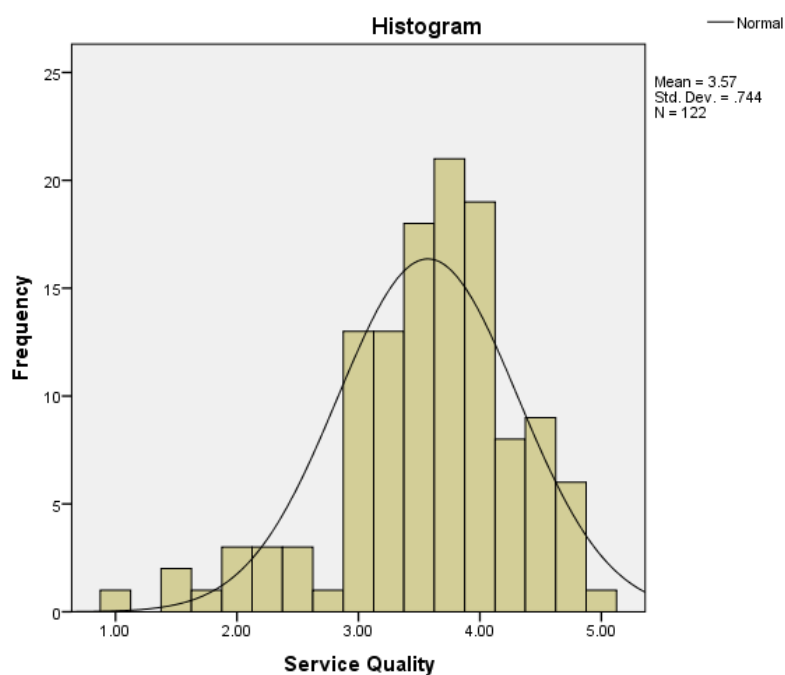
Gross Process summary

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Customer Satisfaction	122	61.0%	78	39.0%	200	100.0%
Customer Loyality	122	61.0%	78	39.0%	200	100.0%
Service Quality	122	61.0%	78	39.0%	200	100.0%
Security	122	61.0%	78	39.0%	200	100.0%

Descriptive

			Statistic	Std. Error
Customer Satisfaction	Mean		3.9577	.05763
	95% Confidence Interval for Mean	Lower Bound	3.8436	
		Upper Bound	4.0717	
	5% Trimmed Mean		3.9927	
	Median		4.0000	
	Variance		.405	
	Std. Deviation		.63657	
	Minimum		1.67	
	Maximum		5.00	
	Range		3.33	
	Interquartile Range		.67	
	Skewness		-.901	.219
	Kurtosis		1.538	.435
Customer Loyalty	Mean		3.6131	.05943
	95% Confidence Interval for Mean	Lower Bound	3.4955	
		Upper Bound	3.7308	
	5% Trimmed Mean		3.6291	
	Median		3.6000	
	Variance		.431	
	Std. Deviation		.65643	
	Minimum		1.20	
	Maximum		5.00	

	Range		3.80	
	Interquartile Range		.80	
	Skewness		-.455	.219
	Kurtosis		.602	.435
Service Quality	Mean		3.5717	.06734
	95% Confidence Interval for Mean	Lower Bound	3.4384	
		Upper Bound	3.7050	
	5% Trimmed Mean		3.6118	
	Median		3.7500	
	Variance		.553	
	Std. Deviation		.74376	
	Minimum		1.00	
	Maximum		5.00	
	Range		4.00	
	Interquartile Range		.75	
	Skewness		-.868	.219
	Kurtosis		1.175	.435
Security	Mean		4.1189	.05795
	95% Confidence Interval for Mean	Lower Bound	4.0041	
		Upper Bound	4.2336	
	5% Trimmed Mean		4.1776	
	Median		4.1667	
	Variance		.410	
	Std. Deviation		.64013	
	Minimum		1.50	
	Maximum		5.00	
	Range		3.50	
	Interquartile Range		.67	
	Skewness		-1.561	.219
	Kurtosis		4.107	.435

Histogram

Mean = 3.96
Std. Dev. = .637
N = 122

Customer Satisfaction

Histogram

Mean = 3.61
Std. Dev. = .656
N = 122

Customer Loyality

Histogram

Mean = 3.57
Std. Dev. = .744
N = 122

Service Quality

Histogram

Mean = 4.12
Std. Dev. = .64
N = 122

Security
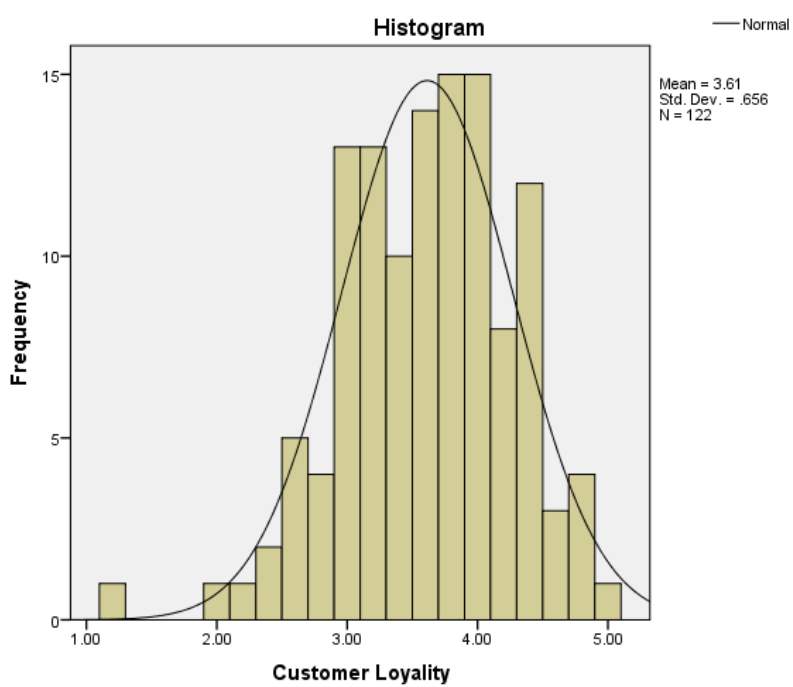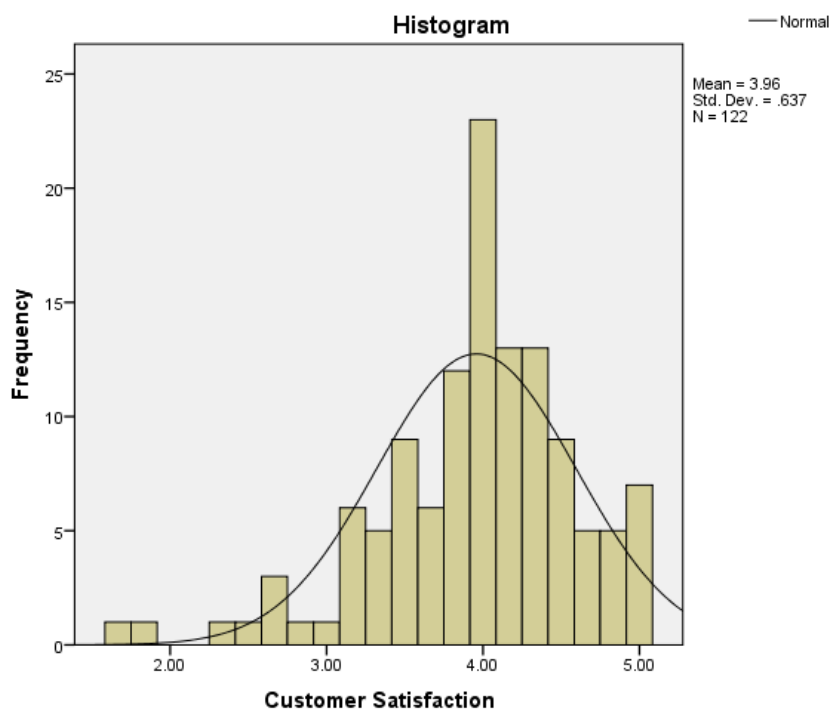
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ETHICS COMMITEE APPROVAL

YAKIN DOĞU ÜNİVERSİTESİ
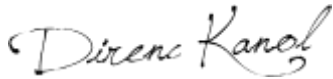
BİLİMSEL ARAŞTIRMALAR ETİK KURULU

10.10.2018

Dear Dr. Ahmet Ertugan

Your application titled **"Customer Satisfaction In The Banking Sector In. Erbil, Iraq"** with the application number YDÜ/SB/2018/256 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

Direnc Kanol

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.