NEAR EAST UNIVERSITY

GRADUATE SCHOOL OF SOCIAL SCIENCES

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MASTER'S PROGRAMME

MASTER'S THESIS

THE IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: EVIDENCE FROM BANK OF COMMERCE AND DEVELOPMENT (BOCD) OF LIBYA

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NICOSIA

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The impact of service quality on customer satisfaction: Evidence from Bank of Commerce and Development (BOCD) of Libya

We certify the thesis is satisfactory for the award of degree of
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I hereby declare that:

This ace postulation is the last result of my own work and has not been submitted before for any degree, examination or any related capabilities at any college or establishment and ALL the sources I have utilized or cited, have gotten due affirmations as total references.

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Date…………………………………

DEDICATION

This goes to my beloved cıty benghazı and family. Whose undying support has made it possible to attain my goal of completing my master program. To my parents your unconditional love and support has brought me this far. Thank you

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First and foremost, I would like to extend my appreciation and thanks to my supervisor assoc. Prof. Dr.Ahmet Ertugan who has been my guide in completing my thesis. His outstanding intellect inspired me to do the best for this work and for that I am very thankful. I will forever remember the time well spent with you and all the knowledge that you passed on to me.

Secondly, it is with great honor and respect that I acknowledge my parents, without them I wouldn't be where I am today. To my wife Aisha who has been my source of strength and wisdom, for that I am deeply grateful.

ÖZ

Hizmet kalitesinin müşteri memnuniyeti üzerindeki etkisini inceleyen bu çalışma "Bank of Commerce and Development (BOCD) Libya" kurumunda SEVQUAL modeli uygulanarak yapılmıştır. Bu çalışmadaki temel iti hizmet kalitesinin değişen koşul ve durumlardaki uygulanmalarında eleştirmenlerin kaygıları ile müşteri memnuniyeti üzerinde olumlu gelişmelerin oldukça değişmesi olmuştur. Hizmet kalitesi ile müşteri memnuniyeti arasındaki regresyon incelenmiştir. Sonuç olarak, hizmet kalitesinin müşteri memnuniyeti üzerinde olumlu ve önemli bir etkisi olduğu saptanmıştır. Hizmet kalitesi öğelerinden "Güvenirlilik" diğer hizmet kalite öğelerinden daha önemli bir etkisi olduğu da saptanmıştır.

Anahtar sözcükler: Hizmet kalitesi, Müşteri memnuniyeti, Somutluk, Güvenirlilik, Tepkisellik, Güvence, Empati.

ABSTRACT

The study is an analysis of the impact of service quality on customer satisfaction with regards to the Bank of Commerce and Development (BOCD) of Libya by employing the SERVQUAL model. This stems from critics that have been raised concerning the use of the service quality model sighting that conditions and circumstances under which it has been yielding positive changes in customer satisfaction have greatly changed. The study employed regression analysis regressing service quality against customer satisfaction. The results showed that service quality has a significant positive impact on customer satisfaction. The reliability has a high significant impact on customer satisfaction as opposed to the other service quality dimensions.

Keywords: Service quality, Customer satisfaction, Tangibility, Reliability, Responsiveness, Assurance, Empathy.

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LIST OF ABBREVIATIONS

BOCD – Bank of Commerce and Development

A – Assurance.

CS - Customer satisfaction.

E – Empathy.

RL – Reliability.

RS – Responsiveness.

T – Tangibility.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Undoubtable arguments can be leveled in support of the banking sector and its importance towards aggravating sound economic performance. Of notable importance is the assertion that the banking sector is a positive driver of economic growth. This stems from the fact that the banking sector provides funds that are needed by firms to undertake economic activities. The ability of banks to provide such funds however hinges on their ability to mobilize savings from customers. It in this regard that aspects such as service quality and customer satisfaction come into play. A study conducted by Herington and Weaver (2008) revealed that service quality customer satisfaction have an important bearing on the performance and growth of banks. Thus the need to continually institute policies and strategies that are geared towards improving customer satisfaction through improvements in service quality (Panda, 1992).

Not only banks in Libya but also across the world have been exposed to significant changes in their banking climates and the world economy tumbled into a series of financial and economic crisis. This has had widespread implications on banks with most banks ceasing operations. Such changes in business and economic environments implied that banks with a capacity to harness a high market share from available pools of customers were in a good position to reap substantial rewards. However, the ability to harness market share was and is tied to service quality and customer satisfaction strategies and efforts of the banks. This is because existing and potential bank customers always assess service quality offered by their banks in relation to that offered by other banks. Hence their level of satisfaction is weighed against what other banks are offering. An increase in usage of bank services and the number of bank

customers using a bank's services is therefore tied to the ultimate level of satisfaction established.

The banking sector especially in Libya has been exposed to an unimaginable competitive force which are threatening their performance and survival. Insights provided by Porter (1985) reveals that the ability of firms to respond to competitive pressures is determined by its ability to institute policies that are targeted at influencing market players. This therefore implies that the ability of banks to deal with problems posed by increased level of competition is determined by the quality of services they render and their ability to satisfy other market plays in the industry. As such, will have a positive influence on customer loyalty. Thus, the ability of banks to respond to such competitive pressure through improvements in service quality and level of customer satisfaction is directly related to customer loyalty. Loyal customers can be said to be those that are satisfied with services that are being offered by their respective banks through improvements in service quality.

The Libya economy has been thriving to overturn misfortunes that have been posed by the recession which rocked the economy following decline in oil prices in 2015 (World Bank, 2016). The period 2015 was characterized by a decline in per capita income from $13 000 in 2012 to below $4500 in 2015 (World Bank, 2016). This also comes in the wake of a decline in bank deposits and estimates revealed by Federal Reserve Bank of St Louis showed that the proportion of deposits money bank assets to gross domestic product declined from 30.21 in 2011 to 13.51 in 2013. In addition, this has negatively affect ted banks as evidenced by a decline in the proportion of deposits money bank assets to gross domestic product.

From the above insights, it is imperative that the banking sector is of paramount importance to the functioning of every economy. Hence efforts and strategies are strongly needed to ensure their smooth operations. However, such strategies are hugely centered on the ability of banks to improve service quality offered to customers and their potency to continually improve customer satisfaction. Moreover, challenges that have been threatening bank performance and survival are directly linked to service quality and customer satisfaction. This study therefore seeks to

employ service quality models to examine the impacts of services quality on customer satisfaction. This is aggravated by inconsistencies of the available information concerning service quality and customer satisfaction. As a result, significant importance is attached to this study as it renders detailed and improved insights about service quality and customer satisfaction related matters with regards to the banking sector.

1.2 Research problem

Circumstances that are surrounded by increased competitive pressure in the banking sector are usually advocated that they be addressed by improvements in service quality (Bahia and Nantel, 2000). This is reinforced by Albarq (2013) postulates that not only will improvements in service quality aid in combating competitive pressure but also in enhancing customer loyalty. Contentions are also high that improvements in service quality can engineer improvements in bank performance through increased customer satisfaction. This can be reinforced by assertion postulated by Boshoff and Garry (2004) which outlines that there is a positive association between service quality, customer satisfaction and buying intentions. On the other hand, improvement in service quality has been established to yield positive outcomes especially customer satisfaction on the account that the services are accessible and effective in meeting consumers' expectations (Yi and La, 2004). A study conducted by Churchill and Suprenant (1982) established that improvements in customer satisfaction emanating from favorable changes in service quality are conditional on the account that all or most determinants of customer satisfaction are addressed. Moreover, critics have been raised concerning the service quality model sighting that conditions and circumstances under which it has been yielding positive changes in customer satisfaction have greatly changed (Sanjuq, 2014). Such changes are considered to be more prevalent in the banking sector and hence the need to examine the impact of service quality and customer satisfaction in the banking sector. In consequence, there are no clear circumstances under which the SERVQUAL yields positive contributions to customer satisfaction especially in circumstances where the determinants of services quality are greatly changing. This study therefore seeks to examine the impact of service quality on customer satisfaction with regards to BOCD.

1.3 Study objectives

The main emphasis of this study is to establish the impact of service quality on customer satisfaction with regards to the Bank of Commerce and Development (BOCD) of Libya by employing the SERVQUAL model. Subsequent objectives of the study are;

1) To ascertain implications that are posed by individual dimensions of SERVQUAL on BOCD's customer satisfaction potency.
2) To identify possible hindrances to the effective functioning of SERVQUAL models towards improving BOCD's customer satisfaction potency.
3) To determine probable SERVQUAL strategies that can be utilized to initiate favourable changes in customer satisfaction.

1.4 Research questions

Having formulated the aforementioned objectives, this study therefore thrives to provide answers to the following research questions;

1) What is the impact of service quality on customer satisfaction with regards to Bank of Commerce and Development (BOCD) of Libya?
2) What are the implications that are posed by individual dimensions of SERVQUAL on BOCD's customer satisfaction potency?
3) What are the possible hindrances to an effective functioning of SERVQUAL models towards improving BOCD's customer satisfaction potency?
4) What are the probable SERVQUAL strategies that can be utilized to initiate favourable changes in customer satisfaction?

1.5 Significance of the study

BOCD is the first and one of the biggest private banks in Libya and has been playing a significant role in Libya's banking sector. Therefore by outlining possible setbacks

that can hamper the effective functioning of SERVQUAL models towards improving customer satisfaction, possible improvements in bank performance become highly probable. Improvements in service quality offered by BOCD will also have spillover effects on other banks which might be compelled to improve customer satisfaction as competition intensifies amongst banks. Moreover, other private banks in Libya have been increasing improving their service quality and hence positive changes in service quality are needed to improve BOCD's customer satisfaction potency so that it can continuously attract new customers and continue to grow. This study will also offer insights about strategies that can be undertaken by BOCD in an economy where the Libyan government is increasingly advocating for privatization.

1.7 Organization of the study

The study will follow a chronological six-chapter layout in which chapter one provides basic insights surrounding the problem. Theoretical and empirical literature aspects are dealt with in chapter two while chapter three provides background and details about service quality and customer satisfaction trends, initiatives and underlying factors. The methodological approach that was undertaken in this study is provided in chapter four. Meanwhile, chapter five looks at analysis and presentation of results while chapter six proffers recommendations and conclusions that can be made from this study. Suggestions for future studies are also outlined in chapter six.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter identifies the related literature on customer satisfaction and service quality. It presents the models and image of the firm and quality of services in the context of the banking industry. It also depicts customer loyalty and its relationship with service quality and customer satisfaction. In addition, it further deals with banking marketing concepts and objectives and these are herein discussed.

2.2 Theoretical literature review

2.2.1 Nordic Model

The Nordic model otherwise known as the model of two dimensions was developed by Gronroos, in 1984. Brady and Cronin (2001) posits that this model is built on the assertion that service quality can be decomposed into functional quality and technical quality. This can be illustrated using figure 2.1 as shown below.
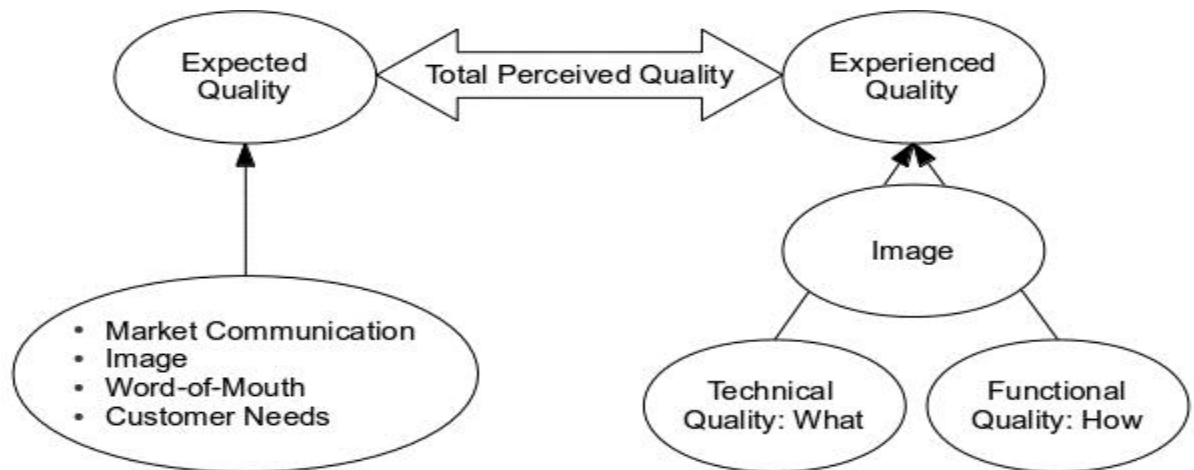
Figure 2.1: The Nordic Model (Source: Ghotbabadi et al., 2012)

Functional quality thrives to address the question how the customer will get the service. Thus it primarily focuses on how services will be delivered to customers and this is the most distinguishing feature which separates it from technical quality dimension. Insights by Gronroos (1984) reveals that technical quality emphasizes on the actual service that is rendered to the customer. Hence, it can be measured objectively as opposed to functional quality. According to this model, the perceived quality of a service is a function of customers' evaluation of the service by comparing between the perceived service and their expectations about the service. This is essential because it highlights factors that are affecting services and such factors are either internal or external factors. Internal factors comprise of classical marketing activities while external factors encompass elements such as habits, ideology, and transmitted word.

2.2.2 Model of three components

The Model of three components was developed by Rust and Oliver (1994) as an amendment to the Nordic model by Gronroos (1982). Firstly, it reaffirms assertions of the Nordic model that customers place significant attention towards perceived quality of service and suggests that there are three important factors of services quality which are;

1. The service product,
2. Service delivery,
3. Service environment.

The Model of three components however attracts criticisms on the basis that both proponents did not test this model. However, there are studies which have tested the validity of this model and used this model in many other industry and they got the same result that customers place significant attention towards perceived quality of service (McDougall and Lévesque, 1994).

2.2.3 SERVQUAL

The development of the SERVQUAL model by Parasuraman et al., (1985) was an attempt to measure the quality of the service rendered. Arguments of the SERVQUAL model are based on interviews conducted with four different types of

firms that are specifically in the business of providing services. These firms were notably retail banking, credit card, securities brokers and product repair and maintenance service providers. The study initially established that there are ten dimensions of service quality which are as follows:

2.2.3.1 Reliability

Refers to the performance stability and the organization's ability to provide the service they promised to do to the customers in dependable way, in addition to achieve the service correctly on the first time, and this dimension includes accuracy in accounting, maintaining correct records and providing services in the determined time.

2.2.3.2 Responsiveness

This refers to how the services providers are ready to provide the service in the immediate time. According to Parasuraman et al., (1985), responsiveness is centered on three aspects of responding immediately to customer needs; immediate response to customer inquiries or complaints and providing immediate services such as setting up appointments quickly.

2.2.3.3 Competence

The notion of competence is based on the need to possess the skills and knowledge required to provide the service, and inherent dimensions include knowledge and skills of front office staff, knowledge and skills of staff of the regulation system and the ability of the organization to accomplish research in order to provide better services.

2.2.3.4 Access

Accessibility means how close and convenient it is to communicate with the service provider and this dimension includes the easy access to the service by phone (lines are not busy, or leave the client waits), how long one has to wait in order to get the service (e.g. in the bank), suitable working hours and suitable place of service.

2.2.3.5 Courtesy

Courtesy includes the etiquette, respect and friendship of the front office staff to customers and this dimension includes the taking into account of the circumstances of the customer and sympathizing and having a good-looking front-office staff.

2.2.3.6 Communication

This dimension addresses how the organization's staff are working to make customers aware about the characteristics of the service and how to obtain them by addressing them in the language they can understand. This also involves modifying the language depending on the level of each client and increasing the level of complexity with the cultured customer and talking simply with clarity to the least educated. In addition, listening to them in order to get feedback, and this includes the explanation of services to customers, clarifying the cost of the service, clarifying the trade-offs between cost and service and reassure the client the of the possibility to solve a problem.

2.2.3.7 Credibility

Credibility means trust, honest, it means the Secretariat to make the customer service the most important priorities of the organization, and this dimension includes trust in the name of the organization, confidence in the reputation of the organization, confidence in the personal characteristics of the staff the front office and the degree of difficulty in selling during the interaction with customers.

2.2.3.8 Security

It means free of danger, risk and uncertainty and this dimension branches to includephysical security, financial Security and maintaining the secret and confidentiality of the client's dealings with the organization.

2.2.3.9 Understanding/Knowing the customer

This dimension endeavors to make an effort to understand the client's needs through accurately knowing the customer needs accurately, provide a personal attention to each client and knowing the permanent clients of the organization.

2.2.3.10 Tangibles

Refers to the physical evidence of the organization of service, this dimension includes the physical facilities, the appearance of the staff at the service organization, tools and equipment used in providing the service, physical picture of the service such as plastic card or bank statements and the other customers in the service organization.

Refinements were however made to the first proposition of the SERVQUAL model and notable amendments were made by Parasuraman et al. (1988). Such changes comprised of merging or reducing the previous ten-dimensions in five dimensions. For instance, Communication, Credibility, Security, Competence and Courtesy on one dimension were merged into one dimension now knowns as empathy. Other changes included the establishment of the assurance dimension which is made up of elements of understanding or knowing the customer and access. The resultant new SERVQUAL model now comprise of five dimensions and these are;
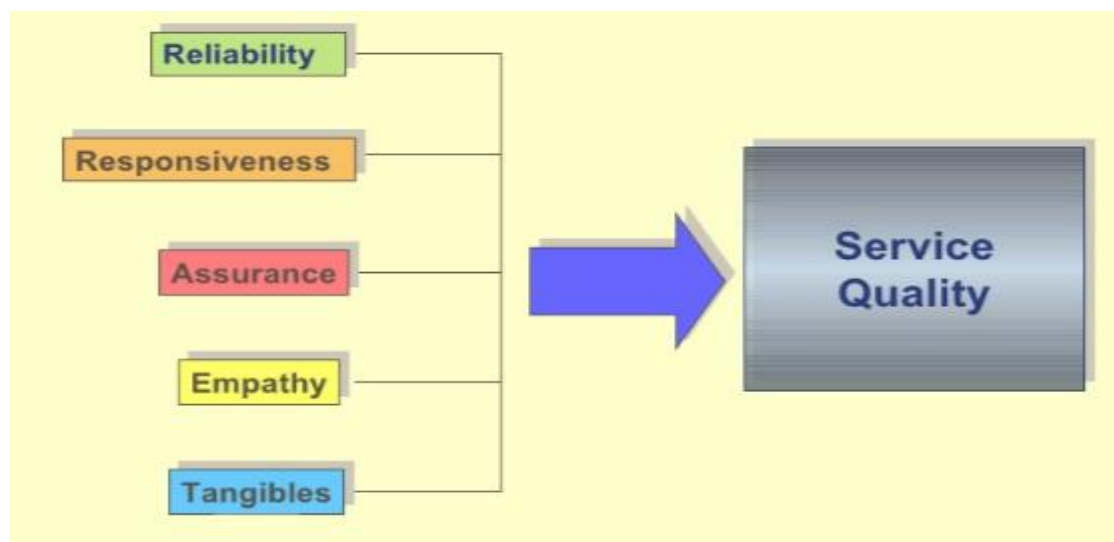
Figure 2.2: Source: Parasuraman et al., 1985)

2.2.3.11 Critique of the SERVQUAL model

Despite the widespread fame that the SERVQUAL model obtained, in many countries of the world on different types of services, there are several arguments that have been raised by many researchers. For instance, Cronin and Taylor (1992) posit that is not necessary to include customers' expectations when measuring the quality of service and that customers can easily get satisfied from their perceptions. Arguments raised

by Lacobucci et al., (1994) revealed that it is more suitable to ask customers about their criteria and no about expectations. Further insights by Cronin and Taylor (1994) contends that the quality of the service scale does not measure the quantity of service, and customer satisfaction. Rather it is assumed that it is just a form of expectations, as they criticize the model in terms of honesty and they indicated that it had failed to show the sincerity of construction validity.

Cronin and Taylor (1994) argued that the most important reason for the preference their model on against the quality of the service modelis stated in a study by a group of three researchers (Boulding, Kalra, Staelin and Zeithaml, 1993). One of the researchers Zeithaml who established the quality of the service model concluded that service quality was influenced by customers' perceptions only.

2.2.4 The service performance model

Joseph Cronin and Steven Taylor (1992) criticized the SERVQUAL model especially in the area related to expectations. They outlined that it is not suitable to measure the quality of service based on the difference between expectations and perceptions of customers. This is what led them to provide another scale which depends on the actual performance of the service, and so as a form of directions. This is reinforced with resultant actions by Cronin and Taylor (1992 when theyestablished that the Servperf model is the best model to measure the quality of service after an applied study they tested four alternatives about quality of service standards as follows:

1) The quality of service scale (quality of service = actual performance − expectations).
2) Weighted quality of service scale (quality of service = importance / the actual performance − expectations).
3) Service performance scale (quality of service = actual performance).
4) Weighted service performance scale (quality of service =importance * actual performance).

Though the service performance model attracts considerable favor, it is also being criticized on the basis that measuring (perceptions - expectations) makes more sense and meaning when measuring performance alone (Llosa et al., 1998). On the other hand, Parasuraman, Zeithaml, and Berry (1994) argued that the variance ratio, which is interpreted by the service performance model to be 45%. This is contended by the model to be higher than the variance ratio established by the quality of service model which stood at 39%. However, the difference between the two rates (6%) is not enough to claim the superiority of service performance model against the quality of service model. This is according to PZB is due to Shared Method Variance. Also the same researchers mentioned that even if the quality of service model showed less interpretive ability of the service performance model, but the first instrument surpasses the second in the diagnostic value that allows managers identify weaknesses in the service as it sees by clients and works.

The model of service quality and model of service performance are the most common models used to measure the quality of service so far, but the debate is still going on about the preference of each model, the researchers were divided between supporters and opponents. This compels the researcher to do more empirical studies in this regard.
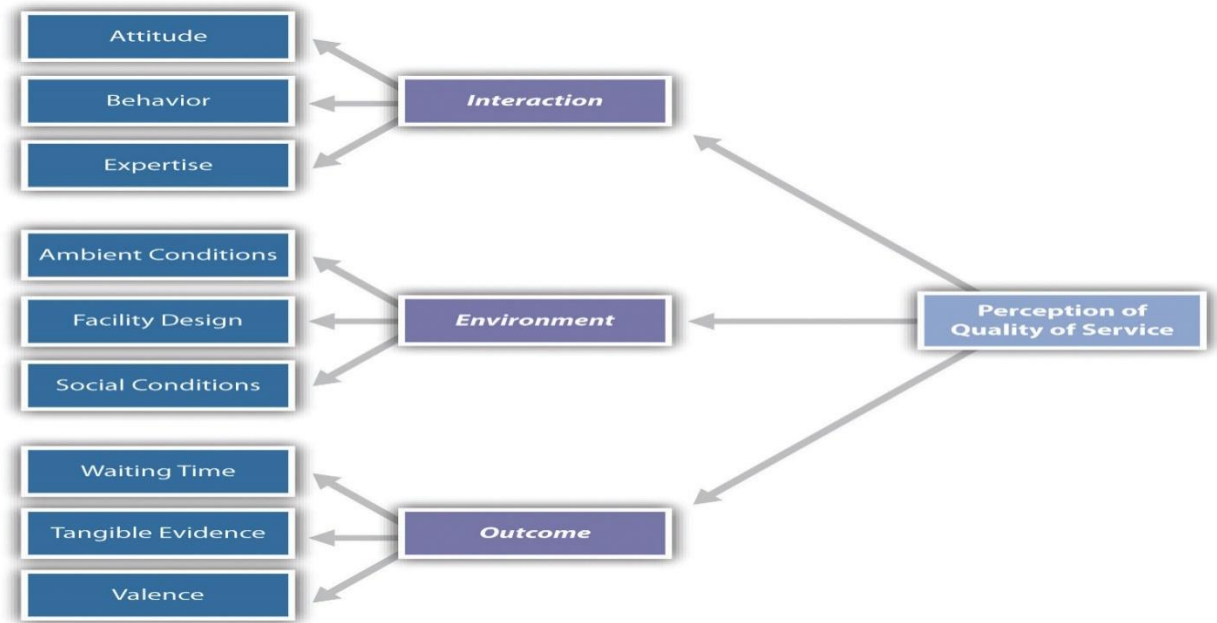
Figure 2.3: The Hierarchical Model (Source: Brady & Cronin, 2001)

2.2.5 The Retail Environment Multilevel Model

Dabholkar, Thrope& Rentz (1996) developed a model measuring retail service which is based on the need to measure the quality of service offered on several levels. Customers' decisions are contended to be based on their evaluation of retail services quality. That is, primary dimensions and sub dimensions. This multi-level model is considered to be suitable for businesses which provide goods and service and thrive to measure service quality. The retail environment multilevel model can be expressed diagrammatically as shown in figure 2.4.
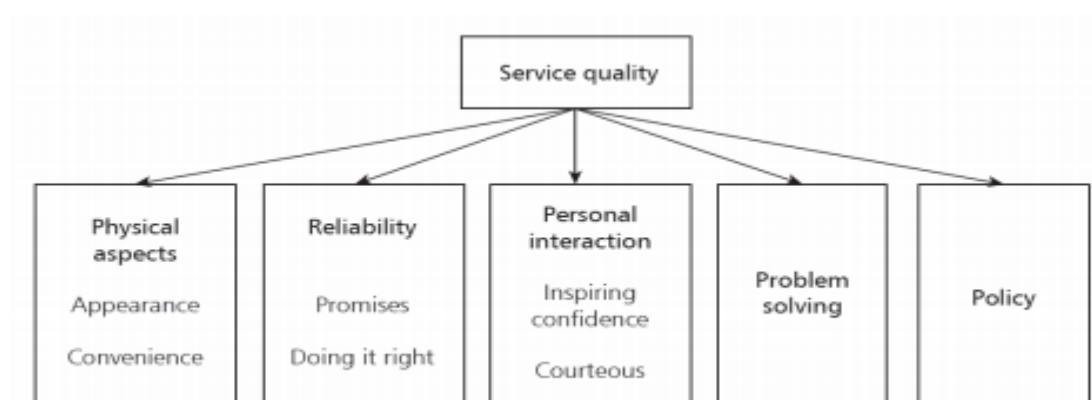
Figure 2.4: The Multilevel model (Source: Dabholkar et al., 1996)

According to information provided in figure 2.4 it can be noted that the primary dimensions are composed of physical aspects, reliability, personal interaction, policy and problem solving elements. The sub-dimensions are made of appearance, convenience, promises, doing it right, inspiring confidence and courteous helpful.

2.2.6 The Service Environment Hierarchical Model

The service environment hierarchical model was developed by Brady and Cronin (2001) as an extension to the multi-dimensional model by Dabholkar et al., (1996) and presented a different new model depending on levels too. They found that the quality of the service model cannot be generalized to all types of services due to lack of consistency in its factors (dimensions), and the inability to cover adequately the complexity in customers' perceptions. The hierarchal model depends on three major dimensions of service quality, under each dimension there are three sub-dimensions as follows;

1. Outcome quality: This dimension is related to technical quality of the service, which is what left to the customer after providing the service, and this dimension includes the sub-dimensions of valence, tangibles and waiting time.
2. Physical environment quality: This dimension includes everything surrounded by the place of providing the service. Bitner(1992) described this dimension as services cape. It includes social factors, design and ambient conditions.
3. Interaction quality: This dimension represents all the reactions that happen during providing service, and includes attitude, behavior and expertise.

Brady and Cronin (2001) kept the dimensions reliability, responsiveness and empathy but not as a direct dimensions of service quality, but as a description of the nine sub-dimension descried previously.

2.2.7 The Dagger and Sweeney Hierarchical Model

Dagger and Sweeney (2007) proposed that the dimensions of basic quality of service are composed of seven dimensions. The first dimension is called interaction and this dimension regards to empathy, and understanding the level of care given by the

service provider to customers in addition to the ability of service provider to communicate the customers.

The second dimension is known as outcome and deals with what is achieved as a result of providing the service. The third dimension is expertise which centers on the efficiency and knowledge of the service provider, and his skills in the diagnosis, treatment and customer care. The fourth dimension, atmosphere expresses the items that are in the vicinity of the service which impact or contribute of a cheerful atmosphere to when service is provided. The fifth dimension is entitled tangibles and relates to the physical elements in the area of services, appearances, comforts, and functional physical environment. On the other hand, the sixth dimension is timeliness and it reflects the availability of services and their presence into the customer's hands and the ease of obtaining the service. The last dimension is operation reflects the administrative procedure and the general process included in service delivery processes.

2.3 Customer loyalty

The success of organizations in general and service organizations are particularly dependent on their abilities and potential to secure a solid base of loyal customers of the organization. Successful service organizations are not only concerned about attracting new customers but also towards the developing and enhancing long-term relationships with them to ensure the survive and growth of the organization. In order for the service organization to be able to keep its customers, it must maintain a certain level of quality services to help the organization create loyalty. On this basis, many researchers linked the concept of quality of service with loyalty demonstrated by customer s. Loyalty is due to the quality of services provided by the organization, while others think that loyalty is due to the concept of customer satisfaction. This section will address the most important definitions that touched the concept of loyalty in services.

Fornell et al., (1996) argued that "the customer is ready to buy again from a supplier of a service or product (behavioural intention), which plays a role in customer

retention and achieve profits. Gremler and Brown (1996) believed that the concept of loyalty is a multi-dimensional concept. Thus, loyalty deemed to be composed of behavioural loyalty, that is, loyalty that is linked to some form of consumer behaviour (such as repeat purchases) directed to some brand during a period of time. Alternatively, attitudinal loyalty can be understood through the client's choice among several alternatives, and its association with products, services, or members of an organization (Day, 1969). Lastly, is cognitive loyalty which means remembering the customer's brand when he needs to take a purchasing decision or consider an organization the first choice from among several alternatives.

According to Oliver (1997) loyalty to service is a series of effects, with behavioural loyalty resulting in cognitive stages emotional to create a situation. Lovelock and Wright (1999) defined loyalty as the voluntary decision of the customer to continue to deal with a specific organization for a long period of time.

Kotler et al., (2006) regarded loyalty as a deep promise to buy a product or service again, and regardless of the situational factors and marketing efforts that can bring a change in buying behaviour. According to Zeithaml, Berry &Parasuraman (1996), loyalty can be defined through five phrases behavioural intentions as follows:

1) Repeating the positive things about the organization for other individuals.
2) Advice and recommendation of the Organization services for those looking for advice.
3) Encourage friends and relatives to deal with the organization;
4) Organization considered the first choice for the purchase of services;
5) Do more transactions with the organization in the next few years.

2.4 Service Quality
The availability of knowledge about the concept of quality of physical goods is not enough to achieve a clear understanding of this element in services and the difficulty in defining the services quality to the properties that distinguish them from the physical item industry (Parasuraman, Zeithaml, and Berry, 1985).

Grönroos (1984) postulates that service quality is the result of the process of evaluating the expectations of the customer and the service provided to him or gave him. Lewis and Booms (1983) defined service quality as measuring the extent of matching the service provided to expectations of customer, providing quality service means matching customer expectations on a consistent basis. Parasuraman, Zeithaml, & Berry (1985) argued that service quality means the difference between customers' expectations about service and the actual performance of the service. Cronin and Taylor (1992) mentioned that the service quality is a long-term trend. Lovelock & Wright (1999) define service quality as a long-term realization evaluation carried out by the customer about the service delivery process of an organization.

From the above we can conclude that the service quality depends on the client's perception and judgement who is capable of judging by comparing what really, he got with what to expect from that service. Also, the concept of service quality is based on the customer's perspective, and this is what makes it a relative measure which differs from one client to another. Moreover, we can also conclude the concept service quality of banking service is no different from the concept of quality of service in general. This means providing banking services has to agree or exceed the needs and expectations of customers.

2.5 Customer satisfaction

Satisfaction among customers is one of the most important criteria that an organization can use to ascertain the quality of its goods and services. This is because it is a source of customer loyalty to the organization, all firms are looking forward to increase the degree of satisfaction among customers to maintain their survival in the market.

The area of services is more important than in the field of goods because the fact that the relationship between customer satisfaction and both growth and achievement profits stronger in services than in goods (Edvardsson et al., 2000).

There are many definitions that can be given concerning customer satisfaction. For instance, it can be regarded as the impression of reward or no reward for meeting the sacrifices borne by the customer when buying a service(Cardozo, 1965). can It also be defined as the result of the comparison made between the characteristics of the product, the customer's feeling and expectations(Anderson& Sullivan, 1993). Others regard it as the judgment of product quality resulting from the comparison between customer expectations for service and performance (Parasuraman, Zenithal & Berry, 1988). On the other hand, Gummesson (1991) referred to it as satisfaction rating that proves that the experience was at least perceived as it was supposed to be. It can also be defined as the level of customer feeling about the comparison between the perceived performance and expectations (Christian, 2000). Beline (2002) also views it as psychological condition beyond the purchase and consumption of a particular service, translated by transient feeling (temporary) resulting from the difference between customer expectations and perceived performance, and supports parallel with that of the former attitude toward service. While Hunt (1977) defined customer satisfaction as the evaluation of emotions while Westbrook (1980) defined customer's satisfaction as preferentially self-assessment carried out by the client.

Customer satisfaction is either positive or negative impression felt by a customer towards buying experience and or consumption, and it is as a result of a comparison between the customer's expectations of a product and the perceived performance (Kotler et al.,2006) .Customer satisfaction is a relative concept always judged according to a certain standard (Yi, 1990).

2.5.1 Expectancy Disconfirmation Paradigm (EDP) as a measure of customer satisfaction

Oliver (1981) mentioned that the expectancy-disconfirmation model is one of the most famous models in measuring satisfaction or non-satisfaction of customers. According to this model, customer satisfaction here is a function of the perceived and expected performance. Foremost, if the performance was as a result of the inability to satisfy expectations, the customer will be unhappy or displeased and disappointment (negative disconfirmation). Thus, the customers will not deal with the organization in the future. The second case is if performance is equal to the expectations the customer

will feel include the comfort and satisfaction. The third case highlights that when performance exceeds what is expected or exceeds expectations (positive disconfirmation), the client in this case will remain closely and linked to the organization.

2.6 Service Quality Studies in the Banking Sector

The deregulation of the financial sector has led to increased competition and this has impacted the quality of services offered. According to Sureshchandar, Rajendran, & Anantharaman (2003), the similarity of services provided by banks has led to the emergence of the need for quality services provided to clients and to ensure the survival of banks in this competitive environment (Avkiran, 1994). As a result, different approaches have been devised to measure service quality in the banking sector. For instance, scale has become one of the most applied and popular models in the field of banking services to measure the perceived quality of service.

Arasli, Katircioglu and Smadi (2005) amended the SERVQUAL model to compare and analyse the quality of service and customer satisfaction to commercial banks in the small economy of Cyprus. They noted in their findings that reliability, tangibles, empathy, and assurance dimensions are considered to be the most important factors that affect the perceptions of quality of service.

Safakli (2007) re-applied the SERVQUAL model to test the quality of service in the banking sector in Northern Cyprus. Safakli (2007)'s model has been dropped from the original model of responsiveness and assurance dimension and added after a new dimension which is customers' orientation to measure the quality of banking service in Northern Cyprus.

Parasuraman et al., (1991) developed the gaps models one of the latest studies in this field model relating to the PZB. According to this model, SERVQUAL's key dimensions that measure banking service quality are reliability, responsiveness, competence, access, courtesy, communication, and credibility, security, knowing the customer and physical assets. This has already been talked about in detail previously.

Whenever the bank manages to control these dimensional it is able to provide high quality services, it can develop services and achieve a competitive advantage. The banking gap was linked to and dependent on the needs and expectations of customers, if the service was provided in line with the needs and expectations of customers or surpasses them, then the service is characterized by quality (Makkawi, 2001). Providing a service of quality that customers want and continuously is a key goal of the bank and it brings positive advantages such as increased customer satisfaction, which in turn leads to profitability and increase loyalty and achieve competitive advantage.

The gaps model presented by Parasuraman (1985) included several types of quality which are:

1) The expected quality: The customer's expectations of the level of quality of service, and depends on the client's needs and experiences, culture and previous contact with others.

2) Quality perceived by the administration: The perception of the bank to the needs and desires of its customers and providing banking services specifications grasped by the bank to be at level that satisfies the customer.

3) The desired quality: Means information about the service and its characteristics, and the bank pledged to presenting and which are transferred to customers through promotional mix and the announcement and publications.

4) The actual service provided to the customer: The performance of bank employees in offering services presented in accordance with the specifications set by the bank. It depends on the skill and training of personnel. The service provided to the customer quality and may vary from one bank to another.

5) Perceived service: A client's estimate of the actual performance of the service (the actual service provided to the customer).

2.7 The relationship between the quality of service, customer satisfaction and loyalty.

In order to clarify the relationship between the quality of service, customer satisfaction and loyalty many researchers in this field did many researches, but they did not agree on the type and nature of this relationship. Sprengh and Singh (1993) undertook a study to examinerelationship between the quality of service, customer satisfaction and loyalty. The results showed that there is no sincerity that distinguishes between these two concepts.

Bitner (1990); Carmen (1990); Boulding et al., (1993); Sprengh and Ackoy (1996) contended that the quality of service and customer satisfaction is completely two different things. Thus they could not agree on which precede the other.

Cronin and Taylor (1992) suggested that customer satisfaction precedes quality of service, and satisfaction leads to provide services with good quality, however, they reach in their study to the opposite. This means that the quality of service precedes satisfaction.

Parasuraman, Zeithaml & Berry (1994) found that that the quality of service precedes customer satisfaction and is not due to it. This is the opposite of what they found in a previous study conducted in 1988.

Petrick (2004) conducted a study of maritime transport services and concluded that the quality of service was the best factor and is able to predict behavioural intentions of customers, where the service quality was the mediator in the relationship between satisfaction and perceived value, in addition to direct effects on future intentions.

Namkung et al., (2008) established that the quality of food provided in restaurants had an influence on customer satisfaction and behavioural intentions that satisfaction in turn has an impact on future behavioural intentions. The study also contends that it is the mediating relationship between the quality of the food and behavioural intentions.

Sheau et al., (2007) found that both the quality of service and satisfaction in restaurants had a direct positive impact on loyal intention for customers, but customer

satisfaction had the greatest impact on loyalty compared with the quality of service. This also supports study results established by both Cronin and Taylor (1992). On the contrary, PZB (1994) concluded that the perceived quality of service had the greatest impact on behavioural intentions of customer satisfaction. Gremler and Brown (1996) reached a decision that the elements that precede customer loyalty in services which had an effect on customer are satisfaction, switching costs include time, money and effort to be borne by the customer to switch from using a product, or a resource to another, and interpersonal bonds. This represents the relationships that arise from interaction between customers and employees.

2.8 Corporate image

Corporate imagereflects customers' impressions of the organization, which depends primarily on the technical quality and functional quality as well as other elements which are less important. These are external factors such as customs, ideologies, and word of mouth, and internal factors like classical marketing activities publicity, pricing and public relations. Chen et al. (2005) mentioned that the mental image of the institution is determined by the customer through the service they receive. Bloemer, Ruyter & Peeters (1998) reported study carried out on one of the banks and the results showed that the quality of the service was a significant and had a very clear impact on the image of corporation. Nguyen and LeBlanc (1998) measured the image of the corporation depending on credibility (reputable and name) and the quality of service technology and the ability to satisfy the needs and wants of customers in the future as well as providing them by new services.

2.9 Banking Marketing

(Kotler, 1999) argued that the significance of the banking marketing improved at the current time, mostly in developed countries, and that, after proved that the adoption and application of the banks of the concepts of marketing increases the effectiveness and efficiency and help them achieve their goals, has become the bank's survival and

continuance in the performance of its activities subject to its ability to absorb these concepts and work according to it.

Bank marketing has not captivated the interest of researchers in marketing field as compared to the marketing of goods. However of recent, the fast and large development that occurred in all fields, and the growing in services sector, increased the competition in the banking market, and realised the significance of satisfying needs and demands of as a decisive factor for survival in the market, this has increased interest in banking organizations to study banking marketing, which can be summarized as follows,

- Identify the customers' needs of banking services,
- Competes with other banking organizations; maintain the market share of the bank.
- Increase market share of the bank,
- Identify the targeted market, study and analyse the banking service market,
- Provide banking services commensurate with the needs and wants of customers
- identify suitable promotional mix
- Identify the suitable distribution methods for customers (Rudiena et al., 2001).

2.9.1 Banking marketing concept

The term banking marketing began in the 1950s, with many authors and researchers of banking marketing have come up with different definitions of the term primarily because of their backgrounds and experiences and also due to the different angles from which they view the term.

According to Marsh 1985, banking marketing refers to the way in which banks achieve their goals and meet the needs of the market and change those needs into real demand. Hodages (1986) defines banking marketing as finding innovative ways to improve the performance of banking services that achieve customer satisfaction and contentment with the aim to attain profits for the organisation. It is also defined as

structured and continuous and integrated planning to study the changing financial needs offered by banking institutions to satisfy the needs of beneficiaries through effective programs.

(Monique,2000) defined banking marketing as a set of tools and marketing tools used by marketers to achieve the marketing objectives. Accordingly, to find the suitable mix according to the requirements of the market and because of the nature and composition of the marketing mix, it not constant but changes according to the changes in marketing data.

Rosenberg, (1977) mentioned that the marketing of banking services is based on adapting processes between goals and capabilities by which the banking organization are able to provide marketing combination that meets the needs and wishes of the beneficiaries within a specific geographic area.

2.9.2 Banking marketing objectives

Zeidan (2003 argued that Banking marketing aims to innovate and improve performance and service delivery to the customers by suitable means using the available promotion means to satisfy existing customers and attract new customers in order to achieve profitability for banks, thereby banking marketing contribute to achieve a number of objectives are:

1) Improve the reputation of the bank and through improving the level of banking services ,widening the base of banking services ,developing performance methods, and raising the banking awareness, especially with the bank staff.
2) Financial goals: liquidity targets, profitability targets, and security objectives
3) Funds recruitment targets through: Increasing the size of loans and advances and increased investments in securities.
4) The goals of innovation through innovating new banking services that respond to the wishes of customers and development of existing banking services and changing patterns presented to customers.
5) The goals of efficiency and effectiveness of the Banking marketing system and develop their abilities in dealing with customers and create harmony

among them, and to encourage the initiative in delivering services in time and the right place.

2.9.3 Banking marketing mix

The success of the banking marketing strategy cannot be done only in appropriate choice, effective and integrated elements of banking marketing mix that will be adopted in the implementation of this strategy and thus achieving the set objectives. (Rudeina, 2001).

Marketing mix consists of four elements: product, price, distribution and promotion, and because of the services that distinguish the service from the physical characteristics of goods, the researchers added three additional elements are: individual, physical evidence, and operations. The banking marketing mix is no different in terms of the elements of the service mix. Therefore, banking marketing mix defined as a mixture of marketing tools which can be used and controlled by the banks to achieve the required response from the targeted market, and there are seven key elements: the banking product, price, place, promotion, people, physical evidence, and operations. Which are known as7P'S" (Taha Tariq ,2007). The following is a brief explanation of each of these elements:

Product banking: Kotler et al., (2006) defined product as anything that can be offered in the market in order to satisfy the need or desire. Product term includes not only tangible material goods but also includes, services, experiences, events, people, places, organizations and ideas, in the banking marketing field, the banking product is a service, which is already defined.

Amused, (2006) states that the products offered by banks are many and varied in form which is known as the service mix or the combination of banking services, and can be divided into Banking practiced by banks for the benefit of customers, and earns them a commission as a tax work, the bank provide several services in this business, include: accept bank deposits, which are includes: demand deposits and current account, open a current account, deposit in the current account, withdrawals from the account, term deposits (fixed), savings deposits, secretariats, interior collection, external collections, foreign exchange operations ,the collection of bills of exchange,

adoption of checks (ratification) remember securities, subscription, letters of bank guarantee, letters of credit, storage of goods, foreign exchange operations, sale and purchase of foreign currency, bank transfer received, payment of electricity bills, water, phone and the ratification of the checks that represent pledge towards the bank also providing loans and facilities, discount commercial paper, invest part of the bank's resources in rent securities.

Price: This basically refers to the physical contrast, paid by the client to get a banking service. There are several decisions about the price, such as interest, commission, bank charges, payment terms and rules of granting credit (Taha, 2007).

Place: All activities taken by the Bank to make its services accessible and available for targeted customers (Taha, 2007). Therefore, place or distribution occupies an important position within marketing mix.

Promotion: This includes various activities carried out by the bank to connect to the targeted market and the promotion of its services, and multiple forms that banks can rely on in the field of promotion, for example: advertising, personal selling, sales promotion, direct marketing, publishing, Internet marketing. All these elements are known as mix promo or a combination of marketing communications for the bank (Taha, 2007). In addition, the previous four elements mentioned the following three elements;

Individuals: The individuals mean the service providers (employees of banks), and the recipients (customers), due to the property of inability of service for separation.

Physical evidence: All things and tangible signs in providing service to the client or deepens the physical sense, as computers, decoration, saloons, air conditioners, photocopying machines, telephones, the internet and more .

Operations: Refers to activities related to the performance of the service and the interaction between the service provider and recipients due to the inability property of service to the separation due to the consideration that customer involved in the process of providing the banking service itself.

2.10 Empirical literature review on service quality and customer satisfaction

Hummayoun (2009) examined the impact of service quality and its impact on customer satisfaction. The study was based on Pakistan's banking sector. The study presumed that there is a unilateral relationship between service quality and customer satisfaction. The results were based on an analysis of 200 respondents and indicated that service quality plays a crucial role towards enhancing customer satisfaction.

Hayat and Awan (2011) explored the association between service quality and customer satisfaction. The study results were based on SERVQUAL to collect evidence from conventional and Islamic banks in Pakistan. Research findings indicated that there is a unilateral relationship between service quality and customer satisfaction. The results further indicated that service quality had an important bearing on customer satisfaction on both Islamic and convention banks but behavioral aspects such as feelings and satisfaction had significant influence.

Fasih and Khan (2014) also employed a similar analysis in the Pakistanian banking sector and based their analysis on 270 bank customers selected randomly. Correlation and t-tests were employed and the results revealed that all the dimensions of service quality have significant influence on customer satisfaction.

Shanka (2012) explored the relationship between bank Service quality, customer satisfaction and loyalty. The study was centered on the SERVPERF model dimensions of responsiveness, empathy, tangibility, assurance and reliability. Deductions made by the study were based on a sample of 260 Ethiopian bank customers and used a regression analysis approach to analyse the relationships. It was discovered that service quality significantly and positively affects customer satisfaction. Reliability, tangibility and empathy were established to be posing significant impacts on customer satisfaction while responsiveness and assurance had insignificant effects on customer satisfaction.

Similar studies were conducted to analyze how service quality affects customer satisfaction and Kumar and Manjunath (2012) placed their focus on the banking sector. Their analysis was based on four dimensions of service quality and these were tangibility, empathy, competence and reliability. Anova and t-tests were employed on

data randomly collected from 150 bank customers and the results showed that all the dimensions were positively related to customer satisfaction.

Though emphasis can be placed on the relationship or impact of service quality on customer satisfaction, arguments can be made that service delivery is also a key component to reckon with. Assertions are that the potential to offer quality service can be rendered ineffective when the service delivery process is ineffective. Thus, the inability to deliver quality services can render the possession and impact of service quality on customer satisfaction. Service delivery aspects such as convenience, timeous delivery of service, public relations etc. must be made available to comp-0lerte service quality aspects. Studies conducted by Joseph and McClure (2006) which analyzed the impact of service quality on service delivery discovered that service quality has an impact on service delivery. This can be based on the assertion that banks cannot deliver what they do not have. Thus, the more and high quality services the bank possess the more and high quality servi9ces it can offer. The impact of service delivery on customer satisfaction are however relatively under explored. Studies by Joseph and McClure (2006) further showed and concluded that technology plays an important role in services delivery and hence it augments service quality initiatives. The concept of service quality and customer satisfaction has been contended to be of significant importance to the financial sector. Studies by Yavas, Bilgin and Shemwell (2003) which sought to analyze the impact of explored service quality in the banking sector revealed that in a severely competitive banking environment, banks must ensure that the quality of services they offer is up to par. The ability to offer quality services in a competitive environment not only does it satisfy customers but ensures a sense of loyalty among the customers towards the bank. This can also be reinforced by their study results which recommended that banks must take into account of the external needs of their customers if they are to continually improve in performance and market share related issues.

Pooja (2009) on his study on service quality and customer satisfaction, postulated that service quality is a critical element of customer satisfaction irrespective of the sector that is being addressed. The study by Pooja (2009) was based on analysis made between public and private banks and the results showed that service quality had

positive significant benefits on customer satisfaction on both public and private banks. Thus, the cross-cutting effects are assumed to span from one sector to another and Pooja (2009) contends that such factors do also play a role in the in goods delivery as well. Such arguments were based on the SERVPERF model and showed that service performance dimensions had positive influence on customer satisfaction. This can also be supported by similar analysis done by Justin, Arun, & Garima (2016). Which vindicates that the relationship between service quality and customer satisfaction is a cross cutting issue.

From the above analysis, this study can therefore establish the following conceptual framework based on SERVQUAL dimensions of reliability, tangibility, responsiveness, assurance and empathy.
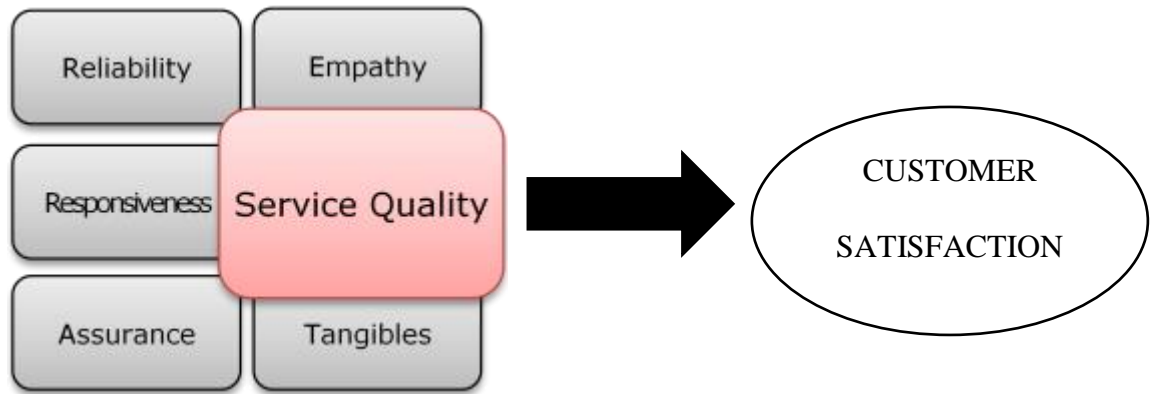
Figure 2.5: Established model from literature review (Source: Developed by Author)

The above dimensions will be used to model a regression analysis model that will be used to provide answers about the impact of service quality on customer satisfaction. The model shows that the concept of service quality revolves around the elements of reliability, empathy, responsiveness, assurance and tangibles. These elements are the ones that causes an effect on customer satisfaction.

2.11 Conclusion

This chapter discussed the literature related to the customer satisfaction, concept and models of service quality and methods of measurement. Literature related to customer

loyalty, and relationship between satisfaction, quality, loyalty of customers, and the image of the corporation has been reviewed. The chapter also presented the literature about marketing mix, concept and objectives as well as the banking marketing mix components been mentioned. Conclusions can be drawn that service quality aspects have a significant impact on customer satisfaction. Conclusions drawn also point that competition in the banking sector is strongly pushing for the high demand of service quality by customers. In addition, measures to be taken to avoid such effects include offering high quality products. The offering of high quality services does not only improve customer satisfaction but also causes a sense of loyalty among bank customers. It can also be concluded that the impact of quality service on customer satisfaction is also determined by the service delivery. Hence the ability to offer quality services and deliver them effectively will have a profound effect on customer satisfaction.

CHAPTER THREE

OVERVIEW OF THE LIBYAN BANKING SECTOR

3.1 General overview of the Libyan banking sector

The Libyan financial sector is hugely influenced by the economy's high dependency on oil earnings that have proved to be volatile over the past 10 years. Mfw4a (2016) reports that the Libyan economy suffered a knock following a decline in gross domestic product in 2011 by 60%. Though the period 2011 and 2012 were characterized by significant improvements in economic performance, the effect of oil shocks went on to wrack havoc in the financial sector as acts of volatility sprouted into effect. Such volatility tends to undermine economic policies and objectives as risk and unpredictable behavior in stock markets may become a daily norm.

The Libya financial sector has a lot of public players dominating the front and accounts for at least 90% of financial activities, and hence it is considered to be centralized. This implies that the existence or extent to which competition among financial players can be stimulated is impeded. According to Porter's competitive forces framework, the existence of vast old and potential players in the market will compel existing players to improve their services as fear of losing market share become prevalent (Porter, 1996). Thus, a bilateral relationship can be said to exist between the number of players and the level of competition and this resultantly influences customer service. Therefore, high quality services can be said to be high in an environment where competition is very high. Thus, it can be drawn that the number of players in the Libyan financial sector is not that high to stimulate competitive forces that can result in significant improvements in service quality.

Nationalization efforts by the Libyan government manifested to influence the banking sector's characteristics. The period 2009 saw Libya's banking sector being composed of 3 specialized credit institutions (SCIs), 1 offshore institution, the Central Bank of Libya and 15 Commercial banks as shown in table 3.1.

Table 3.1: Composition of the banking sector in 2009

Description	Number
Commercial banks	15
Central Bank of Libya	1
Offshore institution	1
Specialized credit institutions (SCIs)	3
Small regional banks	-

Source: Mfw4a (2016)

3.2 Major changes in the Libyan banking sector

3.2.1 Financial liberalization

There have been swift movements that have been observed in the Libyan banking sector. Notable changes have been in the area of privatization of the financial sector which has predominantly nationalized since 1970. Libya's financial sector is witnessing acts of privatization and restructuring. This has led to the establishment of an asset management institution that handles bad debts whilst strategic foreign partnerships are being greatly encouraged and promoted. Financial liberalization initiatives have led to an increase in liquidity and a reduction in credit costs.

3.2.2 Technological advances

The Libyan banking sector has been absorbing technological advancements at satisfactory rate and this has seen notable changes in ebanking being introduced. For instance, banking institutions such as BOCD have made huge strides by introducing services such as touch screen banking services, electronic cards, expanding mobile banking and ATM operations, and drive in banking (BOCD, 2016). Such advances have an influence on service quality which can be regarded to have improved after such introductions. This can be foreseen to have positive effects on customer satisfaction ceteris paribus.

3.2.3 Structure and services

There are changes that have manifested in the Libyan banking sector and such changes were mainly related to structure and nature of services being offered. Such changes have imposed implications on banking operations and activities. For instance, the number of credit being dispersed into the economy has been on the increase with bank credit to bank deposit ration soaring from 0.26% in 2007 to 0.196% in 2008 though it declined to 0.142% in 2009 as shown in table 3.2. Observations have also been made in line with mobile cellular subscriptions which rose from 72 945 in 2007 to 76 706 in 2008 per 100 people. This can be coupled by the increase in number of commercial bank branches per 100,000 adults which increased to 10,759 in 2009 from 10,519 in 2007.

Table 3.2: Libyan financial sector development indicators

Indicator	2007	2008	2009
Bank Credit / Bank Deposits	0,26	0,196	0,143
Mobile Cellular Subscriptions (Per 100 People)	72,945	76,706	-
Number of commercial bank branches per 100,000 adults	10,517	10,44	10,759

Source: Mfw4a (2016)

3.3 Factors affecting service quality in the Libyan banking sector

3.3.1 Lack of competition

It can be noted that nationalization efforts have greatly limited the number of private players that can participate in in the Libyan banking sector. Nationalization efforts were meant to promote equitable accessibility of goods and services among consumers. Such efforts have been ridiculed by many scholars such as (Mazzeo, 2003; Rust & Zahorik, 1993; Dick, 2007) citing that they hamper competition. This is because they tend to negatively affect profit motives of firms. Banking service providers have no incentive to offer high quality services in exchange for low profit

margins. Thus, lack of competition has been impeding service quality and quantity which have posed some negative effects on customer satisfaction.

3.3.2 Bank regulation

There a rigorous banking procedures and acts that must be complied with before one engages in banking activities. Such regulations also restrict banks from engaging in certain that are restricted by banking laws and much of them require approval from the Libyan Central Bank. For example, Article 1 of the Banking Law No. (1) Of 1373 P.D. of 2005 empowers the Central Bank of Libya to enforce banks to seek approval from it before undertaking major changes (BOCD, 2016). Such changes have been greatly criticized by major analysts outlining that they slow down financial development (Barth, Caprio, & Levine, 2004). This can be augmented by insights provided by which contends that the depth of Libya's financial sector is very low (Mfw4a, 2016).

3.3.3 Investment climate

The political situation in Libya has greatly affected financial development among other economic projects. This is because of the political instability which has been observed in the country since the period 2011. This means that the level of risk that investors are to face from investing in Libya is considered to be high. Risk investments can only be made when the associated return commensurate with the level of risk. Zvi Bodie, Kane & Marcus (2013). Thus, efforts to engage in activities that will result in improvements in service quality can be thwarted when the necessary capital projects fail to gather the necessary financial resources. This can also undermine customer satisfaction as old technology and traditional methods of doing business can be associated with delays, long queuing time, frustrations etc.

3.4 Strategies and services offered by BOCD to influence service quality and customer satisfaction

BOCD has been engaging in expansionary activities throughout Libya. BOCD has a total of 9 branches that are located across Libya. These branches include Benghazi, Tripoli, ElForosia Agency, Islamic Call, Alberka, Garden City, Beniena International,

Egdabia and Jalo Agency (BOCD, 2016). Moreover, BOCD has been devoting a bountiful amount of resources towards improving operations. Operational services invested in by BOCD include credit and banking operations, the children agency, touch screen banking services and drive in banking. Strategies to improve service quality are further deepened by the launching of several downloadable applications that include WATABA USSD services, KANZE debit card, SWIFT transfer requests etc.

3.5 Conclusion

From this analysis conclusions, can be made that nationalization initiatives by the Libyan government have greatly undermined competitive forces that can result in improvements in service quality. This implies that the need to ensure that banks continue to gain market share and not lose it to other players in the market is limited and hence there is little incentive for them to improve service quality.

Privatization and restructuring efforts by the Libyan monetary authorities have greatly contributed to changes in the structure and nature of services offered by Libyan banks. Thus, the number of banks, nature of activities and quantity of services offered also increased and such have greatly led to improvements in the quality of services offered.

Efforts to improve service quality by Libyan banks are being undermined by the bad investment climate which is being characterized by political instability. This has increased the risk that is associated with investing in the financial sector. Thus, efforts to engage and invest in operations that can result in improvement in as service quality and customer satisfaction are affected by the investment climate.

Significant strides have been made by BOCD to introduce and invest in operations and activities that can result in improvement in service quality. Such activities included introducing new services and expanding operations.

Monetary authorities in Libya have a greater influence on the ability of banks to engage in other activities that can result in improvements in service quality. This is

because such activities are either restricted by law or require approval which might be time consuming and strenuous.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

The principle motivations behind this part is to elucidate the research philosophy, clarify the methodology and systems that were utilized as a part of this study, present the kind of estimations that were utilized as a part of devising the instrument, and to convey a reasonable clarification of the measurable strategy which is utilized in order to break down the information.

4.2 Research design

The study is a quantitative approach to the study of the effects of service on customer satisfaction. Data analysis techniques will encompass descriptive statistics such as mean and standard deviation to determine the individual effectiveness of each variable component. Correlation coefficients tests will be undertaken using the Kendall Tau correlation coefficient test to examine the nature and strength of association between the variables. This will be augmented by the use of ordinary least squares regression analysis and Cronbach's alpha to ascertain the reliability of the variables. The developed regression model will be specified as follows;

$$Cs = \beta_0 + \beta_1 RS + \beta_2 RL + \beta_3 A + \beta_4 E + \beta_5 T + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

The variable Cs represents the dependent variable customer satisfaction while independent variables responsiveness, reliability, assurance, empathy and tangibility are represented by **RS**, **RL**, **A**, **E** and **T**. β_0, β_1, β_2, β_3, β_4, and β_5 denote regression estimators and error term ε. As a results the study will thrive to determine the extent to which the following hypotheses hold;

- **H_0:** Tangibility is negatively correlated with customer satisfaction
- **H_1:** Tangibility is positively correlated with customer satisfaction
- **H_0:** Reliability is negatively correlated with customer satisfaction
- **H_1:** Reliability is positively correlated with customer satisfaction

- **H_0:** Responsiveness is negatively correlated with customer satisfaction.
- **H_1:** Responsiveness is positively correlated with customer satisfaction.

- **H_0:** Assurance is negatively correlated with customer satisfaction.
- **H_1:** Assurance is positively correlated with customer satisfaction.

- **H_0:** Empathy is negatively correlated with customer satisfaction
- **H_1:** Empathy is positively correlated with customer satisfaction

4.3 Conceptual framework

The analysis of results will be based on the developed conceptual framework and such a framework is similar to a framework developed by Sanjuq (2014). Such a framework was developed to analyze the impact of service quality delivery on customer satisfaction in the banking sector and can be outlined as follows;
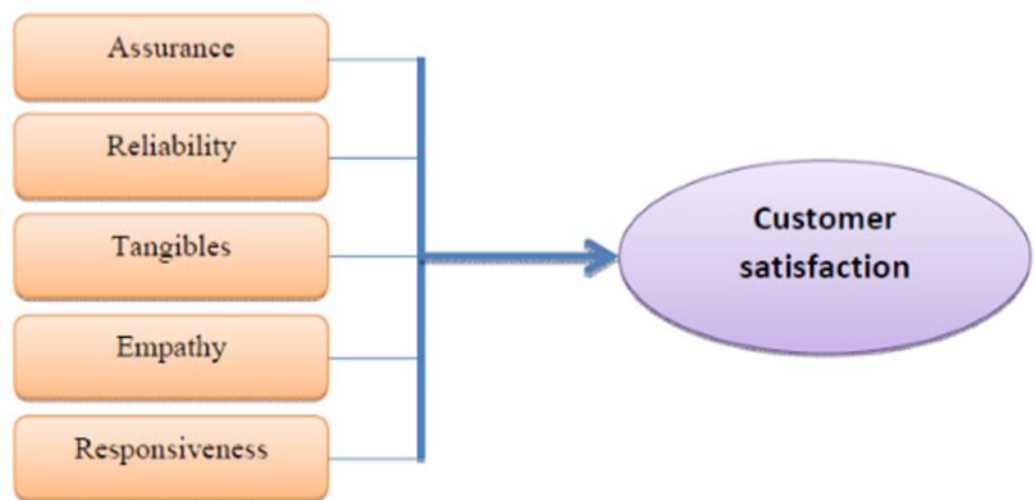
Figure 4.1 Conceptual Framework (Source: Sanjuq, 2014).

4.4 Definition and justification of variables

4.4.1 Tangibility

Shafique et al (2013) defined tangibility as encompassing all material items whose physical properties can be upheld. The inclusion of tangibility in this study is justified by the fact that bank customers tend to focus on material or tangible things as an indicator of quality. Bank tangibility therefore comprises of things such as furniture, customer service delivery equipment such as computers, decorative materials and other auxiliary assets. This therefore implies that high or better service quality is synonymous to high tangibility. Hence a positive association between tangibility and customer satisfaction can be anticipated.

4.4.2 Reliability

Reliability is an indicator of the extent to which a business entity such as a bank can effectively uphold its promises (Olu Ujo, 2008). Reliability forms as essential variable element in this study because banks around the world have been with most still suffering a knock that is threatening their reliability. Notable examples can be drawn towards the study of the 1930 great depression and the 2008 financial crisis in which a notable number of bank customers lost their deposits. Unreturned deposits became a common issue with most banks and hence bank customers lost confidence in the banking sector citing that they were unreliable. Thus, it can be concluded that the more reliable the bank is, the more customers will trust and bank with that particular bank. Hence study results are expected to mirror study results obtained Olu Ujo (2008).

4.4.3 Responsiveness

The extent to which customers are satisfied by service quality hinges to a greater extent on the ability of the firm to respond to customers' plight, complains or suggestions. Cronin and Taylor (1992) however outlined that responsiveness embodies aspects such the ability of the firm to respond timely and effectively to the aid of the customer. Cronin and Taylor (1992) conceptualize the linkage that exists

between responsiveness and customer satisfaction. The results revealed that responsiveness is positively related to customer satisfaction.

4.4.4 Assurance

Assurance is a broad concept that covers a wide number of aspects. For instance, in a student conducted by Shafique et al (2013) about the notion of customer satisfaction and service quality in tourism, it was established that assurance pertained to security during the visit. On the other hand, Cronin and Taylor (1992) highlighted that there is need to ensure that assurance is enforced especially when conducting financial transactions. This is important in the banking sector especially at a time society has pessimistic impression of the banking sector. We can thus anticipate assurance to be positively correlated with customers' service security.

4.4.5 Empathy

The notion of empathy dwells on the expression of caring and support towards the customers. Insights drawn by Olu Ujo (2008) contends that empathy thrives to ensure that customers concern are acknowledged through giving customers access to air their concerns, desires and suggestion and designing a framework that can be used to address such issues. Empathy in this cases encompasses efforts by the bank to deal with concerns over delays, system failures and errors. Lack of empathy can impose negative implications on customers' attitudes towards the bank.

4.4.6 Customer satisfaction

There are numerous definitions that can be assigned to customer satisfaction. Cardozo (1965) regards it as the impression of reward or no reward for meeting the sacrifices borne by the customer when buying. Anderson and Sullivan (1993) also defined customer satisfaction as a resultant action which emanates from the comparison between the characteristics of the product and the customer's feeling or expectations. Alternatively, it can be defined as the judgment on product quality resulting from the comparison between customer expectations for service and performance (Parasuraman et al., 1988). Gummesson (1991) views customer satisfaction as a form of rating that proves that the experience was at least perceived as it was supposed to be. Derbaix (2000) also defined it as the level of customer feeling about the

comparison between the perceived performance and expectations. On the other hand, it is also known as "a psychological condition beyond the purchase and consumption of a particular service, translated by transient feeling (temporary) resulting from the difference between customer expectations and perceived performance, and supports parallel with that of the former attitude toward service (Beline, 2002). In this study customer satisfaction represents a dependent variable which is being influenced by changes in service quality.

4.5 Population and sampling techniques

Estimation obtained from BOCD exhibited that it boasted an accumulated total 242 901 customers country wide by the period of June 8, 2016 (BOCD, 2016). Significant attention of the study will be drawn toward BOCD bank branches in Benghazi City and it constitutes of 8 branches which are Benghazi main branch, Alberka Agency, Islamic Call, Garden City Agency, Benina International Airport Agency, Alfuwihat Agency, Children Agency and Elfrosia Agency. However, the city of BOCD (2016) asserts that Benghazi accounts for an estimated total of 69 999 customers and hence the population under study will be 69 999 customers that bank with BCD in Benghazi. The sampling process is based on the equation developed by (1963:75) that provides sample sizes for large populations. In this study, the determination of the sample size is based on a 95% confidence level and 5% level of precision. Thus, a sample size of 398 will be used and these entails that 398 questionnaires will be distributed to the 9 branches of BOCD in proportion to the percentages of customers accounted for by each branch as shown in the table above. The allotment of questionnaires is also based on the estimated percentages of customers accounted for by each branch (BOCD, 2016). This can be illustrated using table 4.2 while table 4.1 shows the Cochrane sample selection table

Table 4.1: The Cochrane sample selection table

Size of Population	Sample Size (n) for precision (e)	
	±5%	±10%
500	222	83
1,000	286	91
2,000	333	95
3,000	353	97
4,000	364	98
5,000	370	98
7,000	378	99
9,000	383	99
10,000	385	99
15,000	390	99
20,000	392	100
25,000	394	100
50,000	397	100
100,000	398	100
>100,000	400	100

Source: Orcutt and Cochrane (1949)

Table 4.2: Questionnaire allotment among the 8 branches

Number	Branch	Total number of Customers	Percentages of customers accounted for	Number of questionnaires
1	Benghazi main branch	11171	15.959	63
2	Alberka agency	12653	18.076	72
3	Islamic call agency	4928	7.040	28
4	Garden city agency	8071	11.530	46
5	Benina international airport agency	1154	1.649	77
6	Alfuwihat agency	5239	7.484	30
7	Children agency	7580	10.829	43
8	Elfrosia agency	10407	14.867	58
9	Twenty street agency	8796	12.566	50
	Total	**69 999**	**100**	**398**

Source: BOCD (2016)

4.6 Data collection methods

Due to the nature of the study, questionnaires are an appropriate tool that can effectively retrieve the required data. Henceforth this study is a qualitative approach to the study of the effects of service quality on customer satisfaction. Accordingly, dwells on the usage of primary data collected through questionnaires. There is significant importance that is attached to the use of questionnaires. For instance, Greene (2003) asserts that questionnaires serve as an effective tool in undertaking studies when the nature of the data involved can either be categorized according features and only ranked in terms of preferences. There are also various benefits that can be pointed to the use of questionnaires and these include time effectiveness, cost efficiency especially at a time when data access is now subject to high costs. Questionnaires also provider the researcher with control of the survey process and this contributes to the overall success of the study. There are however criticisms that can be leveled against the use of questionnaires. Greene (2003) also postulates that questionnaires can suffer from low response rate and are subject to severe problems of delays.

4.7 Reliability tests

Reliability test will be conducted using Cronbach's alpha. Cronbach's alpha is a reliability test that renders an indication of the internal consistency of the model variables. A high alpha value signifies that the variable is highly reliable in describing changes in the other variables. In this study, Cronbach's alpha values will be used to circumscribe the extent to which service quality variables can aid in explaining variations in customers' satisfaction

4.8 Validity tests

It is of paramount importance that validity tests be undertaken to ascertain the extent to which the employed instrument can effectively deliver the expected results. It is in this regard that 15 questionnaires will be used for pretesting.

CHAPTER FIVE

ANALYSIS AND PRESENTATION OF RESULTS

5.1 Introduction

This chapter presents the findings that were obtained from the survey. As such, will deduce implications that are made from the estimated results which is essential for making conclusions and recommendations.

From the 398 questionnaires that were distributed, a total of 381 questionnaires were retrieved and this is synonymous to a response rate of 95.73% which isa good reflection of the population under study. Hence, obtain results will offer results that closely resemble the area of study. Thus, analysis of results is based on the 381 observations that were collected or made.

5.2 Gender description

The 381 BOCD customers were composed of 215 male individuals and 166 female counterparts and this represents margins 56.4% and 43.6% respectively. Hence, it can be concluded that male counterparts are more loyal to BOCD and are getting more customer satisfaction from BOCD ceteris paribus. The results are presented in table 5.1 below.

Table 5.1: Gender description

	Frequency	Percent	Cumulative percent
Male	215	56.4	56.4
Female	166	43.6	100
Total	381	100	

5.3 Nature of account held by the customer

The nature of account held by the bank customer is an indication of the satisfaction that the customer is getting from holding the account. Alternatively, deductions can be made that the higher the number of customers using a particular account the more satisfaction they are getting.
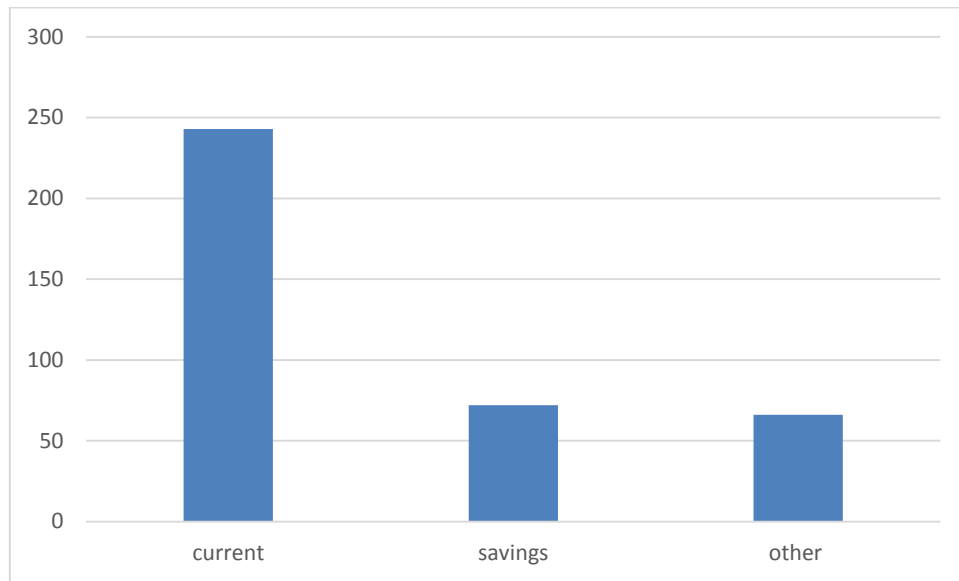
Figure 5.1: Nature of account held by the customer

It can be said that more BOCD customers are satisfied by holding a current account as compared to other accounts with an average of 243 account holders. Savings account and other account holders had 72 and 66 holders respectively. It can thus be said more efforts must be made to ensure that more customers are satisfied by using the current accounts and other accounts whilst continuing improving savings account services.

5.3 Tenure of being a bank customer

The research instrument also to examine the length of period or tenure over which the customers have been a customer to the bank. Such is important as it can give a description of customer loyalty. It can be said that customer loyalty is a function of

customer satisfaction and hence the longer the tenure the more it is expected the customers to have been satisfied with services that have been offered by BOCD.
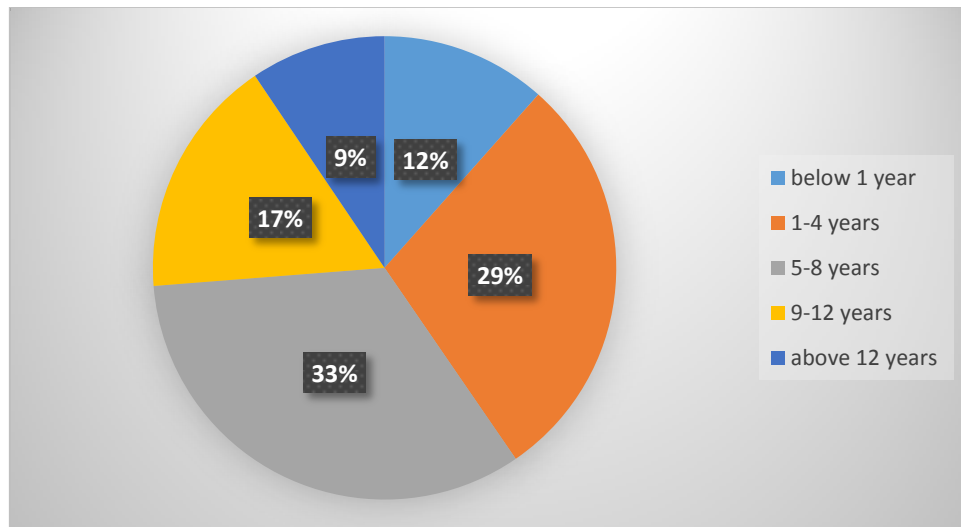
Figure 5.2: Tenure of being a bank customer

Results depicted in figure 5.2 shows that the longest period over which customers have been BOCD's customers is 5-8 years which accounts for 33% of the total number of customers who participated in the survey. This is followed by 1-4 years which accounts for 29% while those with 9-12 years, below 1 year and above 12 years had respective margins of 17%, 12% and 9%. This therefore shows that a relatively high number of customers have been loyal to BOCD and conclusions can be made that BOCD has been significantly satisfying its customers.

5.4 Model summary

Regression estimation conducted revealed that the model has an associated R- Square of 0.736 which implies that 74.2% changes in customer satisfaction is described by changes in service quality dimension. This further implies that 25.8% changes in customer satisfaction is explained by external variables. Deductions can be made that there is an insignificant difference between R- Square and adjusted R- Square and this means that all the relevant variables have been included into consideration.

Table 5.2: Model summary

R- Square	Adjusted R- Square	Std. Error
0.742	0.738	0.30219

5.7 ANOVA

The essence behind ANOVA lies in the idea of assessing whether the model variables have an equal mean and variance. Unequal variance and mean will affect t-statistics and the p-values of the estimates. ANOVA is thus estimated on the null hypothesis that the mean and variance of the variables are not equal. Table 5.3.

Table 5.3: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	98.358	5	19.672	215.423	0.0000*
Residual	34.244	375	0.091		
Total	135.978	380			

Based on results provided in table 5.3, it can be concluded that the mean and variance of the variables are equal. This is because the null hypothesis that the mean and variance of the variables are not equal is rejected at 5%.

5.7 Descriptive statistics

Descriptive statistics were used to determine the magnitude of contribution or effect of each dimension and the degree of customer satisfaction. The results are shown in table 5.4.

Table 5.4: Descriptive statistics

Variable	Mean	Std. Deviation
Customer satisfaction	3.704	0.591
Empathy	2.797	0.839
Tangibility	3.517	0.738

Assurance	3.626	0.601
Responsiveness	3.672	1.156
Reliability	3.677	0.560

It can be noted that the bank customers agree that service quality dimensions have a positive effect on customer satisfaction. This can be evidenced by their mean scores which are close to4 and according to Likert scale values it corresponds to the view of agreeing. The bank customers however ranked high their sentiments that reliability has positive effects on customer satisfaction with a mean of 3.68. The customers also ranked low the positive effects of empathy on customer satisfaction with a mean of 2.80. Standard deviations are meant to describe the responsiveness of the variables and conclusions can be made that responsiveness has a high responsive effect since it has a higher standard deviation of 1.16. The lowest responsive effect pertained to reliability of 0.560.

5.8 Correlation coefficients

Correlation tests were conducted using Pearson correlation test. Foremost, it can be noted that all the variables are positively correlated except the variables tangibility and empathy which are negatively correlated with coefficients of -0.075. This implies that positive changes in one variable has negative effects on the other.

Table 5.5: Correlation coefficients

		Empathy	Tangibility	Assurance	Responsiveness	Reliability
Empathy	Corr. Sig.	**1**				
Tangibility	Corr. Sig.	-0.075* 0.001	**1**			
Assurance	Corr	0.006	0.057	**1**		

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	. Sig.	0.900	0.270			
Responsiveness	Corr. Sig.	0.103* 0.045	0.056 0.276	0.698** 0.000	**1**	
Reliability	Corr. Sig.	0.120* 0.019	0.046 0.371	0.895* 0.000	0.677* 0.000	**1**

* Variable significant at 0.01 level, **Variable significant at 0.05 level

Suggestions can point to the idea that improvements by BOCD especially in empathy can improve the bank's assurance, responsiveness and reliability efforts as more attention is shifted in trying to be empathetic to the customers. Their respective correlation coefficients are 0.006, 0.103 and 0.120. This can lead to efficiency (time efficient) and hence are causing delays in responsiveness. Insignificant correlations can be observed between the variables empathy and assurance; responsiveness and tangibility; responsiveness and assurance; reliability and empathy, and responsiveness and reliability with positive correlations of -0.022, 0.016, 0.035, 0.065 and 0.036 respectively. A high correlation coefficient of 0.805 can be observed between assurance and tangibility.

5.9 Regression coefficients

An ordinary Least Squares regression approach was utilized to determine the nature of relationship between service quality and customer satisfaction. Such is also important as it highlights the magnitude of change.

Table 5.5: Regression coefficients

	Coefficient	Std. error	t-statistic	Sig.
C	0.297	0.141	2.111	0.035**
Empathy	0.053	0.020	2.734	0.007*
Tangibility	0.039	0.021	1.834	0.067**

Assurance	0.272	0.062	4.373	0.000*
Responsiveness	0.078	0.019	4.106	0.000*
Reliability	0.501	0.065	7.711	0.000*

* Significant at 0.01, ** Significant at 0.05

Using results displayed in table 5.5 it can be noted that there is a positive relationship between empathy and customer satisfaction of 0.053. This denotes that improvements in empathy initiatives by 1% will results in an improvement in customer satisfaction by 5.3%. This reinforces results outlined by Olu Ujo (2008)

There is a unilateral association between tangibility and customer satisfaction of 0.039 which entails that 1% improvements in tangibility will have a profound effect on customer satisfaction of 3.9%. This supports obtained results by Shafique et al (2013) which contends that high or better customer satisfaction is synonymous to high tangibility. The justification lies in the notion that tangible asset tends to attract more customers and will signals high quality standards but enhances the ability of the bank to satisfy customers' needs.

Assurance is positively related to customer satisfaction by 0.272 and this can be said that improvements in assurances made by the bank towards meeting needs and addressing customers' concern will result in improvements in customer satisfaction by 27.2%. The same notion was echoed by Shafique et al (2013) which contends that assurance is one of the most important aspect that customers value most. This is because assurance is sometimes associated with security or safety, timeous transactions and convenience. Hence the level of satisfaction rises as these 3 basic elements are met.

Cronin and Taylor (1992) conceptualize that responsiveness is positively related to customer satisfaction. Obtained results support such assertions as evidenced by a positive coefficient of 0.078. This means an improvement in the BOCD's responsiveness ability will result in an improvement in customer satisfaction by 7.8%. Bank customers can be said to value the bank's timeous response to enquiries or queries. Failure to do so results in dissatisfaction which may result in consumers cutting down their usage of the bank's services or even switch to another bank.

Olu Ujo (2008) contends that improvements in reliability have a profound positive effect on customer satisfaction. Such an idea is true especially inn cases were most bank customers lost their deposits during eras of financial crisis and scandals. Customer satisfaction thus increases as reliability improves. This can be augmented by a positive association between reliability and customer satisfaction of 0.501. Thus an improvement in reliability by 1% will cause customer satisfaction to increase by 50.1%.

Conclusions can be made using table 5.6 that there is no difference between the expected results and the actual results. Hence, it can be deduced that service quality dimensions have a positive impact on customer satisfaction.

Table 5.6: Differences between expected results and actual results

Variable	Expected result	Actual result
Empathy	(+)	(+)
Tangibility	(+)	(+)
Assurance	(+)	(+)
Responsiveness	(+)	(+)
Reliability	(+)	(+)

With the above ideology in mind, the obtained model can be graphically illustrated as shown   in
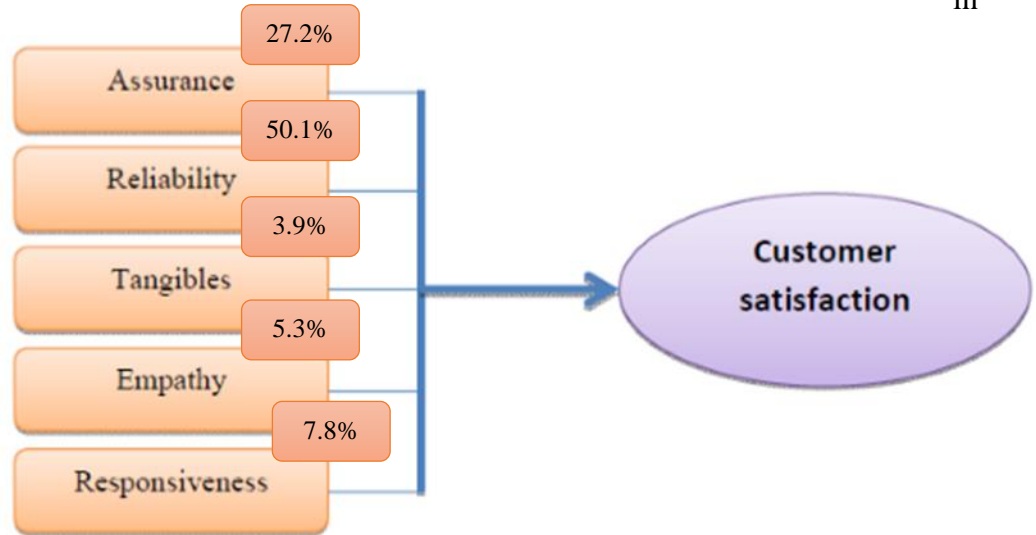

Figure 5.3: Established model

The established model demarcates that reliability has a high significant impact on customer satisfaction as opposed to the other dimensions with a percentage impact of 50.1%. This is subsequently followed by assurance with a percentage impact of 27.2%. The lowest percentage impact emanated from empathy and stood at 3.9%. Conclusions can therefore be made that improvements in reliability and assurance have high positive impacts on customer satisfaction.

5.10 Reliability test

Cronbach's alpha estimation were conducted to determine the reliability of the variables. A Cronbach's alpha of 0.705 was obtained for all the 6 variables and this implies that the model variables have a high internal consistency. Alternatively, it can be said that the variables are highly reliable to explain the impact of service quality on customer satisfaction.

Table 5.7: Reliability test

Cronbach's alpha	Number of items
0.705	6

5.11 Hypothesis test

Table 5.8: Hypothesis test

Null hypothesis	p-value	Decision
Empathy has no significant impact on customer satisfaction	0.007*	Reject
Tangibility has no significant impact on customer satisfaction	0.067*	Reject
Assurance has no significant impact on customer satisfaction	0.000*	Reject
Responsiveness has no significant impact on customer satisfaction	0.000*	Reject
Reliability has no significant impact on customer satisfaction	0.000*	Reject

Hypothesis testing was conducted using p-values obtained from regression results. The null hypotheses were that service quality dimensions have no significant impact on customer satisfaction. All the null hypotheses that service quality dimensions of empathy, tangibility, assurance, responsiveness and reliability have no significant impact on customer satisfaction are rejected at 5%. It can therefore be concluded that service quality dimensions have a significant effect on customer satisfaction.

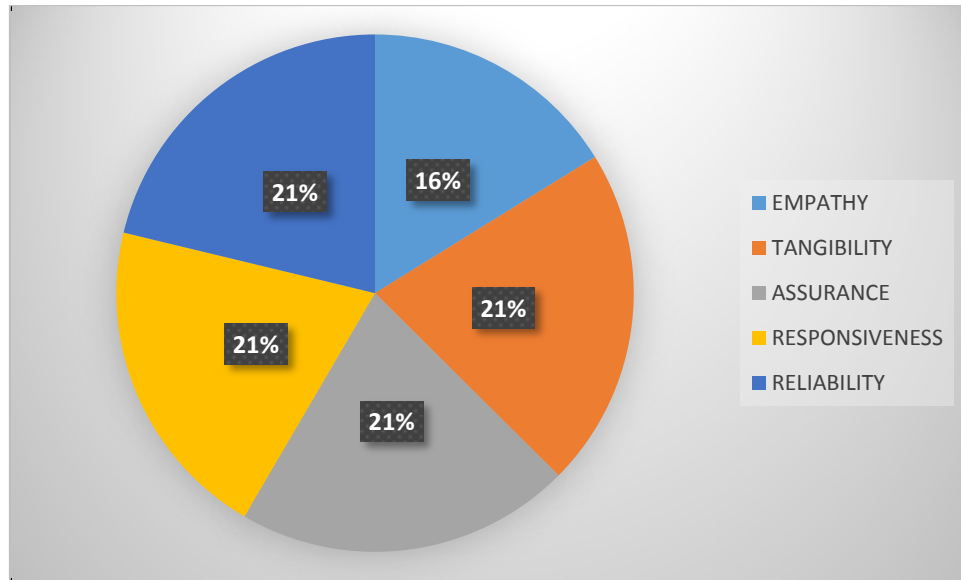## 5.12 Customer sentiments about service quality

Figure 5.4: Likert scale ratings about the impact of service quality dimensions

Based on the views of the 381 bank customers that participated in the survey, it can be observed that the bank customers ranked equally the importance of four of the five dimensions of service quality (reliability, responsiveness, assurance and tangibility). Thus, reliability, responsiveness, assurance and tangibility have relatively equal importance towards improving service quality. Meanwhile, 16% of the customers expressed remarks that empathy has a positive impact on service quality. Alternatively, the four high dimensions (reliability, responsiveness, assurance and tangibility) can be said to be having high effects or contributions on service quality.

CHAPTER SIX

CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FUTURE

6.1 Conclusions

The study sought to examine the impact of service quality on customer satisfaction. This was attributed by ideas that the positive impacts of service quality on customer satisfaction are conditional. This was also augmented by the idea that conditions and circumstances that can warrant a successful service quality influence on customer satisfaction have greatly changed. This is being evidenced by numerous events that are being witnessed in the banking sector such as the financial crisis.

Conclusions can be made that the Libyan banking sector has undergone a series of changes that include financial liberalization, technological advances, structural and service changes. Such changes have to a greater extent improved the financial performance of banks but have also led to increased competition amongst the Libyan in banks.

The above changes came in the wake when the Libyan banking sector was facing challenges. This challenges can be concluded to be as a result of lack of competition, heavy bank regulation and poor investment climate.

Conclusions can also be made that there is a common consensus among bank customers in Libya that service quality has an impact on customer satisfaction. This follows results which have shown that all the service quality dimensions have positive impacts on customer satisfaction. It is in this regards that service quality can be concluded to have positive impacts on customer satisfaction.

The most important element of service quality which had high significant impact on customer satisfaction can be concluded to be reliability and assurance. This therefore

entailed that bank measures must be placed to ensure that these elements are not compromised. Recommendations were made in line with these made

6.2 Recommendations

BOCD is urged to institute measures that will enhance the level of its customers' satisfaction. This is because with the rate at which bank challenges are occurring in Libya, any act of customer dissatisfaction can cause customers to shift their choices towards other banks. Any inconvenience that may arise thereof is required to be addressed with due diligence.

BOCD can be advocated to enact measures that will improve its reliability so that bank customers will continue to thrust their trust on the capability of the bank to deliver the required services. Most of BOCD's customers are attracted to be BOCD because of its reliable prospects. Reliability can thus be put improved by ensuring that products and services are delivered in time and this might require that more technology and human labour investments be made so as to ease congestions and delays.

Risk management policies are also an important element that banks musty not overlook. Bank managers are advocated to put in place policies that will guard against challenges and risks that may threaten the viability and operational capacity of the bank. Such approaches might require that additional reserves and capital be set aside to deal with foreseeable problems. This is becauseassurance is a major element of customer satisfaction.

Banks must also be capable of responding quickly to customer's query and concerns. Any unattended query concern might have negative perceptions on the customers that the bank is not concerned about their needs. Hence, banks should emphasize more on improving customer relations. Since, empathy has been established to be lowly ranked by the customers in terms of improving customer satisfaction. Measures can be enacted to improve the bank's approach towards empathy. The bank can thus put an emergence response system with well-versed technological capabilities that can identify and solve customer problems more promptly.

Investments can be made towards improving the banks physical structures such as offices so as to lure customers towards the bank. Improvements in physical appearance of the bank will help create an impression that the bank is of high quality standards and hence promoting positive impressions and status quo among the customers.

Other recommendations that can be made are to the government and monetary authorities who have direct effects on banking activities. Monetary authorities are encouraged to ensure that monetary and fiscal policies are in line with efforts to promote financial development. Such efforts might be accompanied by financial liberalization so as to encourage to competition, improvement in quality of services, expansion, innovation and increases in product range. Governments must also relax their regulation of the financial sector so as to allow more player to enter the market and banks as well to engage in more services and activities that can stimulate their growth and operational capacity.

6.3 Suggestions for future studies

The study addressed the impact of service quality on customer satisfaction based on the Libyan banking sector. Establishments made by this study are satisfactory and encouragements can be made that other variables such as government regulation and economic environment changes be incorporated into future studies since these are the major elements that are currently and continue to influence banking operations.

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LIST OF APPENDICES

APPENDIX I: STUDY QUESTIONNAIRE

Dear Sir/Madam Respondent

This questionnaire is intended to facilitate the study on "Service quality and customer satisfaction in banking sector in Libya: Evidence from Bank of Commerce and Development (BOCD), Benghazi City". The study is for academic purposes and your response will also be treated with utmost confidentiality. In order to accomplish the study you are kindly requested to complete this questionnaire. Thank you very much for you valuable time.

SECTION A: RESPONDENT PROFILE

Please tick where appropriate √

1. What is your gender?

    Male   ☐

    Female   ☐

2. What type of an account do you have with BOCD? Please tick where appropriate.

     ☐

    Current

    Savings   ☐

    Other   ☐

3. How long have you been a customer of this bank? Please tick where appropriate.

    Below 1 year   ☐

1-3years ☐

4-6 years ☐

More than 6 years ☐

SECTION B: SERVICE QUALITY

Please indicate the extent to which to agree or disagree by ticking on only one numberoption for each of the items or statement on the table below:

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Fully agree
1	2	3	4	5

Please tick the most appropriate box: √

	RELIABILITY	1	2	3	4	5
4	Whenever I request for service (cash deposit, cash withdrawal, bank statement, etc.), BOCD staff provide it as promised.					
5	Whenever I experience problem, BOCD staff handle it in constant manner.					
6	Whenever I request for banking service BOCD provides it at the promised time.					
7	BOCD always maintains on error-free records service.					
	RESPONSIVENESS	1	2	3	4	5
8	BOCD always keeps me informed as to when a service will be performed.					
9	Whenever I need service BOCD staffs give me a prompt service and BOCD staff always is willing to solve customer problems.					
10	Whenever I ask for service BOCD staff serves me readily in a good manner.					
11	BOCD always keeps me informed as to when service will be performed.					
	ASSURANCE	1	2	3	4	5
12	The behaviour of all employees in BOCD builds in confidence					

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	in me when handling my problems.					
13	I always feel safe in my transactions with BOCD (account maintenance, cash transfer, cash withdrawal & deposit, AT card PIN, etc.).					
14	BOCD employees are always courteous with me.					
15	BOCD employees have the knowledge to answer my questions.					
	TANGIBILITY	**1**	**2**	**3**	**4**	**5**
16	BOCD has modern-looking equipment (computers, fast ICT, facilities, etc.)					
17	The interior and exterior of BOCD is visually appealing and spacious (comfort ability conditions, waiting queue chairs, audio-visual screen, public notice board, etc.).					
18	Materials and equipment associated with the service(Computers, ATM Machine, Teller station, bank statement, pamphlets, etc.) are visually appealing					
19	Employees of BOCD Main Branch are professionally dressed.					
	EMPATHY	**1**	**2**	**3**	**4**	**5**
20	BOCD gives customers individual attention.					
21	BOCD has employees who give customers personal service.					
22	BOCD has their customers' best interest at heart.					
23	BOCD understands the specific needs of their customers					
	CUSTOMER SATISFACTION	**1**	**2**	**3**	**4**	**5**
24	I'm extremely satisfied with financial services rendered by BOCD; therefore I will stick with them.					
25	BOCD does good job of satisfying my needs and all things being equal, I really intend to continue using it in the future					
26	I consider myself to be loyal to BOCD because it is usually a very satisfying experience					
27	I'm extremely satisfied with new innovations and creativity made by BOCD					