Northumbria Research Link

ASSESSING THE PERCEIVED SERVICE QUALITY LEVELS IN THE LIBYAN PRIVATE AND PUBLIC BANKING SECTORS: A CUSTOMER PERSPECTIVE

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ABSTRACT

It is increasingly being recognised that service quality has a strong correlation with customer satisfaction. Researchers have debated the topic of private banking sector versus public banking sector in both Western and Far East countries, and found that the private banking sector outperforms the public banking sector in many areas, including productivity, efficiency, and profitability. However, literature and empirical studies on banking service quality in Libya are scarce, and this potentially impacts on organisation performance. This research aimed to assess and compare the levels of service quality provided by the Libyan private and public banking sectors to identify if there are significant differences between the private and public banking sectors in terms of service quality levels, as perceived by bank customers.

The research adopted a survey questionnaire based on the amended Banking Service Quality Scale. It included six service quality dimensions, broken down into 31 statements, for capturing the wide range of services offered by banks. A total of 2000 questionnaires were administered to customers of the two banking sectors (public and private) and 740 (370 from each sector) were returned, which amounts to a 37% response rate.

The research findings show that there are significant differences between the Libyan private and public banking sectors in terms of customer perceptions of service quality and the degree of importance attached to various dimensions of service quality. The results also suggest there is a relationship between bank status and customers' age, occupation, number of branch visits, and period of relationship with a bank. The study has revealed, however, that there is no relationship between customer gender and bank status.

The research has significant implications for Libyan banks in terms of developing operational, marketing and human resource strategies, and can help Libyan banks to incorporate service quality issues into their strategic planning. The study may be useful for application in countries with a similar banking culture as Libya.

This study contributes to the understanding of service quality in terms of the Libyan banking context. The added value of this study emanates from the fact the research was conducted in Libya (a developing country with an extremely limited amount of service quality research conducted therein), and the fact it measured and assessed the service quality in both Libyan private and public banking sectors which form, along with the central bank, the entire Libyan banking system.

Key Words: Service quality, private banking sector, public banking sector, Libya, Banking Service Quality, service quality measurement.

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DEDICATION

To my wife, for her love, patience and sharing every moment with me during this work.

Without her, it would not have been possible.

To my mother, for everything she has done for me, especially including me in her prayers.

To the memory of my father, in remembrance of the sacrifice he made

so that this work was possible.

I dedicate this thesis to them for their love, patience, understanding, and sacrifice.

DECLARATION

This is to declare that I am responsible for the work submitted in this thesis, that the thesis is my own except as specified in acknowledgments, and that this thesis has not been submitted to any other institution.

Name

Signature

Date

Chapter One

Introduction to the Thesis

Chapter 1: Introduction to the Thesis

1.0 Introduction

The main purpose of this chapter is to present an outline of the research area and provide justification for conducting this research. As the research is focused on the Libyan private and public banking sectors, an introduction to the Libyan banking system is provided. This is followed by a discussion on importance of the study.

The chapter also outlines and presents the research question, aim, and objectives. It also discusses, in sections 1.5 and 1.6, the purpose of the research and what the research will do. Section 1.7 presents the thesis structure.

1.1 Libyan Banking System

This thesis attempts to examine service quality levels in the Libyan private and public banking sectors. It is thus important to briefly present the banking system operating in Libya.

1.1.1 The structure of the banking sector in Libya

The Libyan banking sector is dominated by the Central Bank of Libya and commercial banks. Commercial banks have been major financial institutions since the first public bank commenced operations in 1957. Local commercial banks consist of both state-owned and privately owned banks. There are six state-owned commercial banks and eight private banks in Libya. The public banks are Gumhouria Bank, National Commercial Bank, Sahara Bank, Al Umma Bank, Wahda Bank, and Libyan Foreign Bank, while the private banks are Commerce and Development Bank, Aman Bank for Commerce and Investment, Al-Wafa Bank, Alejmaa Alarabi Bank, Mediterranean Bank, National Banking Corporation, Development Bank, and Alsaraya Trading and Development Bank (Central Bank of Libya-Banks Directory, 2009).

Currently, foreign banks are not allowed to offer retail services (Mahmud *et al*., 2008) but can only open representative offices under the terms of law governing the Libyan banking system. Foreign banks which have done so include the BACB (British Arab Commercial Bank), the Arab Banking Corporation (ABC), Bank fur Arbeitund Wirtschaft, and more recently, HSBC.

The entry of private banks to the market occurred in 1996 when the first private bank was established (Bank of Commerce and Development), offering a range of retail banking services in competition with public banks. Since that time, the growth and development of the private banking sector in Libya has continued and reached eight private banks. In

contrast, the number of public banks stood at eleven in 1996, but was reduced by the Central Bank of Libya to six banks in 2009. This indicates that the Libyan public banking sector suffers from weaknesses in terms of performance and needs to be restructured. These weaknesses associated with public banks in Libya have contributed to the growth of privately-owned banks. In line with this view, the Central Bank of Libya announced in November 2010 that in accordance with its plan for restructuring and modernizing the public banking sector aimed at improving services, Gumhoria and Umma banks, the largest and the fifth largest Libyan state owned commercial banks, would be merged (Almanara News, 2010). According to the Central Bank of Libya, the merger will provide access to better products and services in the future, as well as provide access to a wide network of branches. Furthermore, the Central Bank of Libya will attempt to make the new bank a modern and profitable bank within the next few years.

1.1.2 Central Bank of Libya

One of the most important financial institutions in any modern economy is the country's central bank. Generally, a central bank is an agency of the government that has the important public policy functions of monitoring the operation of the financial system and controlling the growth of money supply. Central banks ordinarily do not deal directly with the public; rather, they are "bankers' banks", communicating with commercial banks and securities dealers to carry out their essential policy making functions.

The Central Bank of Libya (CBL) is 100% state-owned and represents the monetary authority in Libya, enjoying the status of an autonomous corporate body. The law that established the Central Bank of Libya stipulates that its objectives should be focused on maintaining monetary stability in Libya, and promoting the sustained growth of the economy in accordance with the general economic policy of the Libyan government. The CBL started its operations on April 1st 1956, replacing the Libyan Currency Committee which was established in 1951 and whose functions were focused on maintaining sterling assets against the issue of local currency, thus having no role in controlling money supply or credit, or supervising banks.

According to Alqadhafi (2002), the functions and policies of the Central Bank of Libya are:

1. Issuing Libyan banknotes.
2. Sustaining the stability of the internal and external value of Libyan currency.
3. Management of state reserves of gold and foreign exchange.
4. Regulating the credit and banking system policy within the framework of common state policy, with the objective of achieving national economy and development goals.

5. Offering banking services to public administrative units and institutions.

6. Issuing and managing state loans.

7. Offering temporary loans to the treasury to balance any temporary budget deficit.

8. Issuing national currency.

9. Stabilizing money and capital markets.

10. Maintaining national and international reserves and gold.

11. Acting as a banker to commercial banks.

12. Acting as a banker and fiscal agent to state and public entities.

1.2 The Importance of the Study

Within service marketing literature, service quality has received a great deal of attention from both academics and practitioners. Organisations operating in service industries should consider service quality a key strategic issue for the business' success (Lewis and Mitchell, 1990; Spathis, Petridou and Glaveli, 2004). Those service providers who establish a high level of service quality retain a high level of customer satisfaction, they also obtained a sustainable competitive advantage (Lewis and Mitchell, 1990; Meuter *et al.*, 2000; Guo, Duff and Hair, 2008). Research indicates that companies with an excellent customer service record reported a 72% increase in profit per employee, compared to similar organisations that have demonstrated poor customer service; it is also five times costlier to attract new customers than to retain existing customers (Cook, 2004). Therefore, achieving high levels of service is one method to keep customers both satisfied and loyal.

Moreover, literature clearly supports the link between service quality superiority and significant performance-related advantages, such as productivity, successful marketing strategies, customer retention and responsiveness to demand (Berry, Zeithaml and Parasuraman, 1985; Turnbull and Moustakatos, 1996; Chaston, 2000; Jabnoun and Al-Tamimi, 2003; Petridou *et al.*, 2007).

Researchers have debated the issue of public banking sector versus private banking sector, in relation to different business areas and different countries around the world. There is an enormous amount of theoretical and empirical literature that strongly supports the view that the private banking sector is superior to the public banking sector in a number of countries worldwide. For instance, Lynn, Lytle and Samo, (2000) found that in the USA, private banks outperformed state banks in terms of service orientation and financial performance. Another study by Isik (2007) revealed that the private banking sector outperforms the public banking sector in Turkey with regard to productivity growth. Further evidence clearly shows that the private banking sector performs better than the public banking sector, a number of these studies, carried out in both Western and Asian countries are reviewed in Chapter Four of this

research (Bei and Shang, 2006; Bonin, Hasan and Wachtel, 2002; Cornell *et al.,* 2005; Nakane and Weintraub, 2005; Braz, 1999; Megginson, 2005; Kangis and Kareklis, 2001).

However, there are only two studies which investigated the differences between the private banking and public banking sectors in terms of service quality levels. The first study, carried out in Greece, by Kangis and Voukelator (1997) found that the services offered by banks in the private sector had a more favourable impact on customers' perceptions of quality received than those services offered by banks in the public sector. The second study was conducted in India and applied by Sureshchandar, Rajendran and Anantharaman (2003); the study showed that in terms of customer perceptions of service quality, foreign banks seemed to be performing well, followed by private sector banks and then public sector banks.

The originality and value of this research emanates from the fact that this research will be the first comprehensive study to investigate the differences between the Libyan private and public banking sectors, in terms of perceived service quality. There has been little research carried out in the Libyan banking sector relating to service quality, it can therefore be argued that literature on Libyan banking service quality is scarce and there are few empirical and non-empirical studies covering this topic. For instance, there are only two studies that have explored organisational issues within the Libyan banking sector. One of these studies was undertaken by Twati and Gammack (2007), in which technology levels in the public banking sector were examined, the researchers found that Libyan public banks still deal with customers in an inefficient manual way. The second study was carried out by Elmayar (2007) and measured the levels of service quality in the Bank of Commerce and Development (a private bank), this study revealed that customers of the bank have high perceptions of service quality. The limitations of the literature on this topic clearly show that there is a gap in the area of research into Libyan banking service quality. Therefore, this research will aim to fill the gap in the literature thus complementing and adding to previous research by expanding the study of service quality to include Libyan banks, a context that is characterised by the very limited research.

A study by Welsh and Raven (2006) on the importance of service quality to both customers and employees in retail settings in a number of Arab countries, concluded that customers and employees in those regions are unique in many ways and that more studies should be conducted to understand service quality in different cultures. Moreover, service quality issues in the banking industry, within developing economies, have long been neglected when compared to research available in developed economies including Europe and the USA (Angur*,* Nataraagan and Jahera, 1999). The literature clearly suggests conducting research on service quality in different environmental circumstances as culture affects customer perceptions of service quality (Loizides, 2005). This fact motivated the researcher to further

investigate and explore this area in Libya, a region that perhaps would benefit greatly from research in the area of service quality.

From a research stand point, the present study is important because it will measure and assess service quality in both the private and public banking sectors in Libya in order to identify if there are any significant differences between the two groups of banks in terms of customer perceptions of service quality. The two banking sectors, private and public are competing against each other; therefore it was deemed appropriate to explore the extent to which service perceptions compared among their customers. Moreover, it will identify the areas of weakness with respect to service quality, and offer suitable solutions. In addition, the research will identify the most important service quality dimensions for each banking sector and will also analyse the relationship between the customer demographic variables and the bank status of ownership, as demographic characteristics are an accepted basis for segmenting markets and customers (Blech and Blech, 1993; Kotler and Armstrong, 1991). Investigating these aspects will in fact add to the existing body of knowledge since there is a lack of research in the region.

1.3 Research Aim

The aim of this study has been to identify if there are significant differences between the Libyan private and public banking sectors in terms of service quality perceptions. By doing so, this research has extended the study of private banking sector versus public banking sector in relation to service quality perceptions to a non-Western setting, in which similar studies are limited.

1.4 Research Question

As mentioned earlier, the aim of this research has been to identify whether there are any significant differences between the Libyan private and public banking sectors in terms of perceived service quality. In order to meet this research aim, the following research question has been formulated:

Are there significant differences in customer perceptions of service quality within the Libyan private and public banking sectors?

1.5 Research Objectives

The research aim comprises a number of objectives, as follows:

1. To explore literature on the concept of service quality.
2. To examine various approaches to measuring service quality, with a focus on banking service quality measurement.

3. To identify the actual levels of service quality provided to bank customers by Libyan private and public sector banks.

4. To identify the differences between Libyan private and public bank customers in terms of the degree of importance they attach to various dimensions of service quality.

5. To identify if customer demographic characteristics are related to the banking sector they use (bank status).

6. To draw conclusions and recommendations that will help Libyan banks to deal with service quality issues.

1.6 What This Research Will Do

Based on the research aim, the research has attempted to review related literature in order to extract interrelated concepts of service quality, and also identify an appropriate instrument for effective measurement of service quality levels in the Libyan private and public banking sectors. Based on the outcomes originating from the literature review, this research has used a standard scale to measure service quality within Libyan banks, as the literature clearly suggests that a standard scale should be used when a study is comparative in nature. This approach was seen as the most suitable and helped in the comparison of Libyan private banks with public banks in terms of customer perceptions of service quality, thus addressing the research aim, question and objectives.

The selected scale was piloted for scale validity and modification before the main data collection. After preparing the questionnaire in its final version, 1000 questionnaires were administered to each banking sector based on the selected sampling procedure.

Statistical methods have been used to help address the research aim, question and objectives. These statistical methods are as follows:

1. Frequencies: to describe the respondents' characteristics.

2. Means: to identify the actual levels of service quality provided to Libyan private and public bank customers, as described by the scale items (questionnaire statements).

3. Independent-Samples T-Test: to identify the significance of differences in the means of customers' perceptions on the private and public banking sectors, as measured by the thirty-one items included in the scale, thus testing the seven research hypotheses at a statistically significant level ($p > 0.05$).

4. Factor analysis: to identify the differences between Libyan private and public bank customers in terms of the degree of importance they attach to various dimensions of service quality.

5. Cronbach's coefficient alpha test: to examine scale reliability and internal consistency.

6. Chi-Square: to test the relationship between customers' demographic characteristics and the type of banking sector they use.

Finally, the research extracts valuable insights and conclusions from the statistical test results.

1.7 Structure of the Thesis

This thesis consists of seven chapters. An overview of these chapters is provided below.

1.7.1 Chapter One

Chapter One introduces the Libyan banking system. It also focuses on presenting the importance of the study, research question, aim, and objectives. The chapter also discusses what the research does and provides an overview of the thesis structure.

1.7.2 Chapter Two

The aim of Chapter Two is to introduce the topic of service quality and the many interrelated concepts affecting it. The main area of discussion concerns the definitions of service quality. Also, the formal models (theoretical framework) of service quality proposed by several academics are presented, and service quality perceptions and expectations are discussed. An extensive examination is made of the importance of service quality. Emphasis is placed on the topic of perceived service quality improvement and related research studies found in the literature.

1.7.3 Chapter Three

Chapter Three looks at the characteristics of services necessary for measuring quality, and how service quality can be measured in the banking sector in particular. Therefore, the purpose of the chapter is to discover an effective instrument for measuring service quality in banks. Accordingly, it explores and seeks to understand major developments in the measurement of service quality. It reviews existing literature regarding different service quality scales in order to decide on a valid and reliable tool for measuring service quality in the banking sector. The chapter is organised into sections that cover all of these aspects. The first section deals with the general characteristics of services that help to measure quality. The second section focuses on service quality dimensions originating from service quality studies covering various service industries and countries. The third section sheds light on the conceptual model of service quality as a basis for service quality measurement. The fourth section focuses on providing a further understanding of service quality gaps identified in the previous section. The fifth section sheds light on the background to the service quality gaps. The sixth section outlines a well known instrument for measuring service quality, namely the

SERVQUAL instrument. Research showing its applicability, value, critique, and modifications are reviewed. The last section reviews literature related to the instruments and scales that are used to measure service quality in the banking sector. Chapter Three, therefore, explains why they are the most appropriate instruments for effective measurement of service quality in Libyan banks.

1.7.4 Chapter Four

The main objective of this chapter is to explore the findings and outcomes of research studies on the topic of private banks versus public banks. Therefore, a review of existing literature is carried out to discover the findings of studies covering private banks versus public banks in both Western and Asian contexts in order to identify whether private or public banks are superior in the countries investigated. The viewpoints and outcomes of these studies have been used to develop the research hypotheses. This chapter, therefore, begins by providing a short introduction to retail banks and their structure. An overview of the differences between private banks and public banks is presented. This is followed by an outline of research into private banks versus public banks in Western and Asian countries. Finally, the literature is linked to the present study's research question, and a summary of the literature review is given.

The literature review in this research is divided into three chapters, as mentioned above. They cover the concepts of service quality, measuring service quality, and private banking sector versus public banking sector. A map of the literature review of this research is shown in Figure 1.1 below.

1.7.5 Chapter Five

The purpose of Chapter Five is to provide an overview of the research methods that were available to the researcher. It starts with a presentation of the research objectives, question and hypotheses. This is followed by a review of the research process, methodological philosophies, strategies and methods surrounding the research study. Empirical data collection issues are also discussed. This is followed by a presentation of the methods used for the scale pilot-testing, as well as feedback from the pilot study. A discussion follows covering sampling issues, including a presentation of probability and non-probability sampling methods, sample size, sampling procedure, and sampling location. This chapter also presents the methods used for data analysis, and finally it discusses the ethical issues related to the research study.

1.7.6 Chapter Six

The aim of Chapter Six is to provide and discuss the results (findings of the research) of the research data analysis. Therefore, the chapter discusses the statistical analysis of the customers' perceptions of service quality through a comparison between Libyan private and public banks. The chapter starts by presenting the research question and research hypotheses. This is followed by an account of the demographic characteristics of the respondents. It also presents the questionnaire data analysis in terms of levels of service quality in the two banking sectors, and then the research hypotheses are tested. Significant differences between the private and public banking sectors with regards customer perceptions of service quality are discussed. These include differences in service quality dimensions such as effectiveness and assurance, access, price, tangibles, services portfolio, and reliability. Accordingly, the seven research hypotheses are accepted. This is followed by a factor analysis that confirms the six BSQ dimensions within the two banking sectors, but with a different degree of importance. A Pearson's Chi-Square test of participants' demographic characteristics has been used to identify if the customer characteristics of gender, age, occupation, frequency of branch visits, and period of dealing with a bank are related to customers' banking status. The results show that there is a relationship between bank status and the customer characteristics of age, occupation, frequency of branch visits, and period of dealing with the bank, while there is no relationship between customer gender and bank status. Finally, this chapter discusses the study's statistical test results.

1.7.7 Chapter Seven

Chapter Seven aims to extract valuable insights and conclusions with regard to the findings of the research. A brief review of the theoretical background to the research and the research findings is made. Then, theoretical, managerial and marketing implications of the study are discussed. This is followed by a discussion on the research contribution. Limitations of the study are then identified and presented. Finally, recommendations for further research are made.

Figure 1.1 Map of Literature Review

1. SERVICE QUALITY CONCEPT	

DEFINITIONS OF SERVICE QUALITY

SERVICE QUALITY PERCEPTIONS

GENERAL CHARACTERISTICS OF SERVICE NECESSARY FOR MEASURING QUALITY

SERVICE QUALITY EXPECTATIONS

SERVICE QUALITY MODELS

NORTH AMERICAN SCHOOL

NORDIC SCHOOL

OTHER SERVICE QUALITY MODELS

PERCEIVED SERVICE QUALITY IMPROVEMENT

REGULAR MEASUREMENT OF SERVICE QUALITY

INVESTEMENTS IN SERVICE QUALITY PROCESSES AND SYSTEMS

EMPOWERING EMPLOYEES IN IMPLEMENTATION OF HIGH LEVEL OF SERVICE QUALITY

THE IMPORTANCE OF SERVICE QUALITY

ACHIEVING CUSTOMER SATISFACTION

ACHIEVING CUSTOMER LOYALTY AND RETENTION

ENHANCING FINANCIAL PERFORMANCE

ENSURING THE SUCCESS OF MARKETING STRATEGY

ENHANCING IT CAPABILITY TO IMPROVE CUSTOMER ORIENTATION

ENSURING SERVICE INTERACTION IS WELL-DEVELOPED

FOCUSING ON "EASILY DOING BUSINESS" WITH CUSTOMERS

2. MEASURING SERVICE QUALITY

SERVICE QUALITY DIMENSIONS

THE SERVQUAL INSTRUMENT

SERVQUAL INSTRUMENTATION

SERVQUAL RELATED RESEARCH

MEASURING SERVICE QUALITY IN SPECIFIC BANKING CONTEXT

POSSIBLE MEASUREMENT SOLUTION

BSQ (BANKING SERVICE QUALITY) SCALE

POSITIVE ISSUES RELATED BSQ

Map of Literature Review (Cont.)

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││  3. PRIVATE BANKING SECTOR VERSUS PUBLIC BANKING SECTOR                ││
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└─────────────────────────────────────────────────────────────────────────┘
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RETAIL BANKING		AN OVERVIEW OF THE DIFFERENCES BETWEEN PRIVATE AND PUBLIC BANKING SECTORS
HISTORY OF RETAIL BANKING		PRIVATE VERSUS PUBLIC BANKS
STRUCTURE OF RETAIL BANKING		
PRIVATE BANKING SECTOR VERSUS PUBLIC BANKING SECTOR IN THE FAR EAST COUNTRIES		PRIVATE BANKING SECTOR VERSUS PUBLIC BANKING SECTOR IN THE WESTERN COUNTRIES

Chapter Two

Service Quality Concept

Chapter 2: Service Quality Concept

2.0 Introduction

Service quality is a concept that has attracted the interest of researchers in the field of operations management and marketing research. Studies undertaken by both academics and practitioners indicate that service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin and Taylor, 1992; Cronin, Brady and Hult, 2000; Duncan and Elliot, 2004; Wong, Rexha and Phau, 2008). Organisations operating within the service sector consider service quality to be a strategic component of their marketing plan (Lewis and Mitchell, 1990; Spathis, Petridou and Glaveli, 2004). Through this, organisations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Lewis and Mitchell, 1990; Meuter *et al.,* 2000; Guo, Duff and Hair, 2008).

Due to cultural and environmental effects, in general, customers of services behind different international boundaries perceive service quality differently. Therefore managers should recognise first that environmental factors can affect service quality perceptions and second that service quality should be clearly defined and conceptualised. A good quality of service gives a competitive advantage to any business. However, it is particularly important for banks. Al-Hawari and Hartley (2005) have proposed that customer service quality perceptions have a significant influence on a bank's success.

This chapter aims is to explore the literature on the concept of service quality. The chapter therefore is divided into seven sections. The first section deals with different definitions of service quality. The second section outlines the general characteristics of services. The third section attempts to describe service quality perceptions. The fourth section sheds light on service quality expectations. The fifth section reviews literature on service quality models. The importance of service quality is highlighted in section six. Finally, section seven provides information on how perceived service quality can be improved.

2.1 Definitions of Service Quality

The term 'service quality' is commonly used to express different concepts. Johnston and Clark (2005) use the term 'service quality' to describe how an organisation treats its customers. Accordingly, service quality covers how customers' requirements and desires are met, as well as how the service delivered matches customers' expectations. Furthermore, Johnston and Clark suggest that service quality is the consideration of various related

components, including satisfaction, the relative impression of an organisation's services, and the quality that is delivered.

It can be seen from the above that service quality can be defined as customer satisfaction, which is the outcome of the assessment made by a customer about the service offered. This assessment is based on comparisons of their perceptions of service delivery with their prior expectations. This is similar to Cronin and Taylor's (1992) definition, that service quality is the vital antecedent of customer satisfaction.

Sasser *et al.* (1978) and Caruana (2002) have pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (1984) also defines service quality as the outcome of the comparison that consumers make between their expectations and perceptions.

Parasuraman, Zeithaml and Berry (1985) have reviewed various studies on service quality and offer three propositions, as follows:

1. Service quality is not as easy for a customer to evaluate as goods quality;
2. Service quality perception is the outcome of the comparison that a customer makes between their expectations and the performance of a service;
3. Quality assessment not only depends on the outcome of a service, but also includes assessment of the process of service delivery.

Parasuraman, Zeithaml and Berry (1988, p. 16) define service quality as "a global judgement or attitude, relating to superiority of the service, whereas satisfaction is related to a specific transaction". This clearly suggests that service quality is an overall judgement of a service provider and the outcome of the comparison between customers' perceptions and their expectations (Zeithaml, 1988).

In their attempt to offer a different definition of service quality based on the importance of service quality, Petridou *et al.* (2007) define service quality as a route to competitive advantage, as well as corporate profitability, for the service organisation involved. There is also a view that service quality is the outcome of internal and external actions, whereby the external customer defines the perceived service quality while the internal customer defines the quality of the processes that produce the service (Goetsch and Davis, 1997).

It has also been argued that by involving the customer in defining service quality it is important to first determine the quality of service level offered by the organisation. Therefore, the quality of service level can be defined as the relationship between the expected and the perceived service from the perspective of the customer. Furthermore, involving customers in the co-service process may even increase their understanding of the difficulty of maintaining the right level of service quality (Edvardsson, Thomasson and John,

1994). However, the customer uses particular criteria to define and evaluate an organisation's service quality. For instance, the definition of service quality mentioned above, which was provided by Parasuraman, Zeithaml, and Berry (1985, 1988), is a conceptual definition that integrates customers' criteria for different types of services. The definition is well-known and widely accepted by researchers because it has provided a significant contribution to the field. However, several elements are lacking from this definition. These elements are the quality of interpersonal relationships between service providers and those they serve, service provider effort, emotion and effect, social support, and individualized service (Brown and Swartz, 1989; Mohr and Bitner, 1995; Ashforth, 1993; Adelman and Ahuvia, 1995; Berry, 1995).

An alternative definition has been offered in Kelemen's (2003) study, which defines service quality as the elimination of the gap between customers' expectations and their perceptions. Kelemen also suggests that each individual customer has a unique and particular basis for defining what service quality is. Accordingly, he supposes that customer expectations cannot be generalized, or indeed predicted.

Due to the degree of dichotomy in the definitions of service quality, some researchers define service quality according to its measurement context in terms of the extent of compatibility between the standard of the service delivered to the customer and the customer's expectations. Others define it as the function of the customer's expectations which extends beyond the product to include every aspect of the relationship that grows between the organisation and the customer (Edwards and Elliott, 1994). Such a view is held by Parasuraman, Zeithaml and Berry, (1988) who see service quality as the measurement of the ideal standard of service delivery which meets the customer's expectations.

Unlike the previous definitions, Caruana (2002) sees service quality as the outcome of its two-dimensional views, consisting of 'output' and 'process'. Similarly, the model proposed by Gronroos (1984, 1990) explains the role of two dimensions. The technical (or output) dimension refers to what is actually delivered to the consumer, such as a solution provided by a consultant or a meal by a restaurant. The functional (or process) dimension refers to how the end result of the process is transferred to the consumer; in other words, how employees in a service organisation perform their tasks and roles, how the service is delivered, and what they say to their customers.

Focusing on definitions of service quality based on perception, Palmer (1994) argues that service quality can be defined as the perceived level of service performance. This fits with Liljander and Tore's (1995) view that service quality is the perceived level of service coming from the assessment of the difference between the expectation and the performance of the service. It has also been argued that if perceptions are higher than expectations, the level of service quality will be high (Parasuraman, Zeithaml and Berry (1988). Therefore, service quality can be measured by knowing and identifying the customer's perceptions and

expectations. This clearly supports the opinion that service quality definitions rely on abstract dimensions, such as perceptions, expectations, and satisfaction. Consequently, service quality can be measured by identification of the differences between the abstractions. For instance, if service quality is defined as the difference between expectations and perceptions from which the level of satisfaction can be derived, it seems logical that measuring the difference between the two will lead to not only a definition of service quality but also a measurement of its existence or nonexistence, regardless of what 'quality' may be (Parasuraman, Zeithaml and Berry, 1988). The measurement of these differences is called 'gap analysis' (Parasuraman, Zeithaml and Berry, 1985).

Irrespective of the above, service quality also has general definitions that provide an idea of how work should be done. For instance, many companies design a quality policy for the service offered and use it as the basis for all work, as well as guidelines for how the company should treat its customers. Table 2.1 shows some of the service quality definitions used by service organisations.

Table 2.1 General Definitions of Service Quality

Organisation	Service Quality Definition
American Express:	"Quality is our only form of patent protection"
Federal Express:	"The presence of value defined by customers"
AT&T:	"Meeting or exceeding competitors' quality"
Florida Power and Light:	"Meeting the desires and expectations of customers"
Marriot (American hotel chain):	"Quality is conformance to requirements. Requirements are determined and modified through continuous communication between customers, frontline associates and management"

Source: Edvardsson, Thomasson and John (1994, p. 80)

A general definition of service quality is that the service must be directed to and match expectations of customers, as well as satisfy their desires, demands and needs (Edvardsson, Thomasson and John, 1994). It is therefore important to listen to and understand the customer's needs, and then meet those needs. A competent and professional service provider will consider strongly customer needs and aim to meet them to secure a competitive advantage.

It is useful to note that early definitions are important as they seem to present a clear picture of what service quality actually means. The frequency with which these definitions have been used in various studies published over the last forty years, is great (see Table 2.2).

Table 2.2 Frequency of Service Quality Definitions over the Last Four Decades

Definition / Author and Year	The result of the comparison that customers make between their expectations about a service and their perceptions of the way that a service has been performed	A route to competitive advantage and corporate profitability	The measurement of the extent of compatibility between the standard of the service delivered to the customer and the customer's expectations	The outcome of applying the service's technical and functional dimensions	The perceived level of service coming from the assessment of the difference between the expectation and the performance of the service	Meeting customer satisfaction
Sasser *et al.* (1978)	✓					
Gronroos (1982)					✓	
Gronroos (1984)	✓			✓		
Parasura-man *et al.* (1986)			✓			
Lewis (1987)					✓	
Gronroos (1990)				✓		
Cronin & Taylor (1992)						✓
Edwards & Elliott (1994)			✓			
Palmer (1994)					✓	

Liljander & Tore (1995)					✓	
Ravald & Gronroos (1996)		✓				
Turnbull & Moustakatos (1996)		✓				
Chaston (2000)		✓				
Caruana et al. (2000)	✓					
Caruana & Malta (2002)				✓		
Jabnoun & Al- Tamimi (2003)		✓				✓
Johnston & Clark (2005)						✓
Petridou et al. (2007)		✓				

Evidence from the above studies supports the opinion that different customers (service receivers) and different service organisations (service providers) have different views on how service quality should be defined and what it actually means. By gathering the most frequently used definitions of service quality from literature spanning the last four decades, as shown in Table 2.2, it is possible to recognise that service quality is greatly associated with an organisation's quest to satisfy customers. It can also be seen as a route to competitive advantage, the level of service perceived by assessing the differences between service expectations and service performance, the measurement of service standards compared with service expectations, the outcome of applying the service's technical and functional dimensions, and the result of the comparison that a customer makes between their perceptions of the method by which the service has been delivered and their expectations about the service. The variety of the definitions reflects the difficulty in conceptualising and defining service quality. It also reflects the dichotomy noted by Garvin (1988), that service quality is an unclear concept; easy to visualize and yet difficult to define. Service quality, therefore, has various definitions which emphasise three main aspects: meeting service

specifications, meeting customer expectations, and meeting customer satisfaction. For instance, to define service quality as a route to competitive advantage, it is vital to specify the service and at what particular level it will meet customer expectations and satisfaction. By doing this, organisations can exceed the service quality level offered by their competitors. Obviously, these three areas cannot be separated because they are strongly related to each other. For instance, by meeting the service specification, customer expectations and satisfaction will be met. Figure 2.1 shows the relation between commonly used service quality definitions and corresponding concepts.

Figure 2.1 Main Service Quality Definitions and Associated Concepts
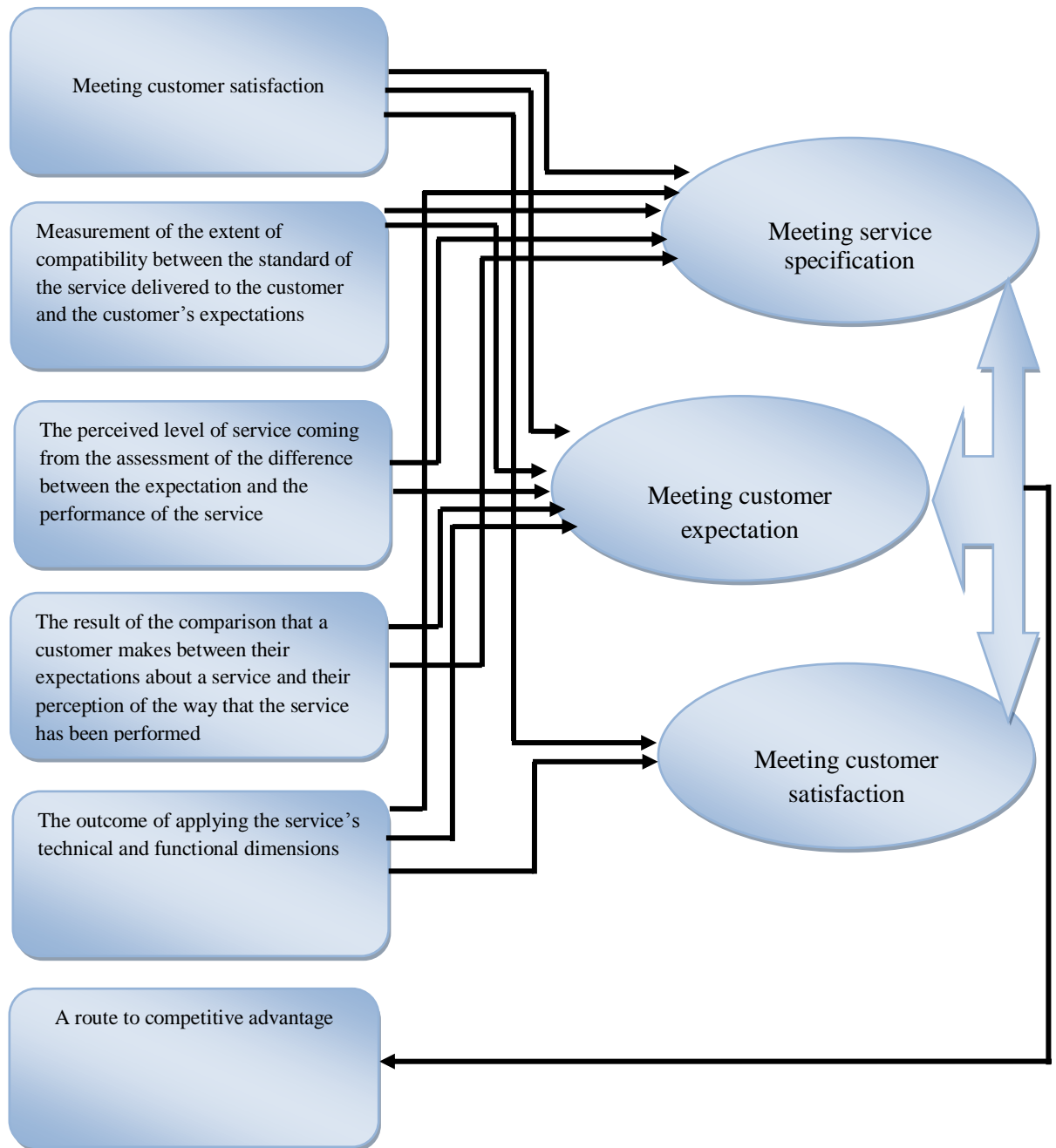
Based on the above, one way of starting to develop an appropriate definition of service quality is to understand what the purpose of service quality is. If the purpose is to meet customer expectations, then the definition will be "meeting customer expectations" (Johnston and Clark, 2005). Another potentially useful way to define service quality is to understand how service organisations see service quality from a customer's perspective. Whatever the perspective, it is obvious that service quality cannot be viewed outside its conceptual meaning, with an emphasis on meeting the service specification, meeting customer expectations, and meeting customer satisfaction.

2.2 General Characteristics of Service Necessary for Measuring Quality

Researchers have defined service characteristics as a group of intangible activities resulting from the interaction between the service provider and the customer, as well as the organizational system and the material resources. More specifically, service itself has been defined as work performance or "deed, act or performance" (Lovelocke, 1992), while the organisational system of a service organisation has been defined as the sophisticated skills and benefits gained by the customer when using or leasing an organisation's facilities, maintenance, or professional advice (Juran and Gryna, 1988). The service of an organisation has also been described by Juran as the direct sale to, and contact with, users, in circumstances where a huge number of individual transactions give the company the chance to obtain feedback about its service quality. Additionally, he adds that the benefits of a service are not physically storable or transportable, and that the output and the delivery occur at the same time. Gummesson (1987, p. 22) suggests that "services are something that can be bought and sold but which you cannot drop on your food". Zeithaml, Parasuraman and Berry (1990) define service as the benefits that one party can offer to another that are essentially intangible. This view is in agreement with the earlier research of Stanton (1986), who mentions that services are essentially intangible and separately identified. He also adds that services are activities that provide satisfaction and are not necessary tied to the sale of a product or another service.

Palmer (1994) has considered the intangibility of service. He argues that service is intangible because, unlike goods, service has no physical presence. In light of the fact that service is intangible, it is hard to measure it; therefore, a customer who wishes to evaluate service quality relies on tangible characteristics such as delivery, consistency, customization and speed. This clearly explains the importance of confidence and trust in measuring an intangible service such as banking (Al-Marri, Ahmad and Zairi, 2007).

Even though service is intangible, it has particular characteristics. For instance, service is not storable; therefore the opportunity to sell or buy service can easily be lost (Shields, 1995). Service itself cannot be owned, but the right to direct the service process is owned instead

(Palmer, 1994). It has also been suggested that "service is inseparable from production since the production and the consumption of the service occur at the same time and the same place, the customer is involved in service production. It is therefore very difficult to centralize the mass production of service" (Obaid, 2006, p. 15). For instance, when a customer gives a particular instruction to a hairdresser or provides an accountant with particular documents, it is understood that the customer has influenced the quality of the service delivery.

Besides using service characteristics, service cannot be easily inspected or examined. This is because it mainly depends on human interaction and expression (Kotler and Turner, 1993). Service does not have a limit and cannot be determined before it is handed over (Wille, 1993). Service is also variable, therefore it is difficult to control and monitor the services processes to ensure that they meet the standards set by management (Palmar, 1994). Service cannot be easily displayed either and cannot have its price easily defined (Zeithmal, Berry and Parasuraman, 1992). In addition, service cannot be evaluated prior to its use; a customer must rely on his or her experience of the service itself to reach an objective judgment during and even after the service delivery process (Zeithaml, Berry and Parasuraman, 1990). In contrast, tangible products have a limited number of characteristics, therefore their quality can be easily judged. Service is not measurable or countable, and cannot be tested or inventoried, at least not in ways that would make it possible to ensure the quality of the product (Zeithaml, Berry and Parasuraman, 1992).

The leadership of a service provider should have a clear vision of the service it provides in order to distinguish it from other providers. Additionally, they must recognise that embracing a service strategy can positively impact profitability and that such a strategy is a never-ending journey. They must also work to improve the reliability dimension (Zeithaml, Parasuraman and Berry 1990).

2.3 Service Quality Perceptions

Researchers have defined customer perceptions as global judgments of customers relating to the superiority of a service, which is influenced by a number of factors including education level and social background (Parasuraman, Zeithaml and Berry, 1988; Sureshchandar, Rajendran and Aantharaman, 2002; O'Neill and Palmer, 2003), consumers' beliefs concerning the service received (Parasuraman, Zeithaml and Berry, 1985), consumer directed interactions with services (Bitner, Brown and Meuter, 2000), the evaluation of customers when interacting with the service at a specific moment in time (Cronin and Tayor, 1994; Zeithaml, Bitner and Gremler, 2009), consumer judgement of the actual service performance (Lewis, 1989), the process by which an individual selects, interprets and organizes stimuli into a coherent and meaningful image of the world (Schiffman and Kanuk, 1987), and customers' opinions of the service or product (Foster, 2004). More precisely,

customer perceptions are consumer judgements on the actual service performance. This is connected to how customers see and assess the quality of service they actually receive. More significantly, their evaluation and judgement on it will determine their perception. For instance, if they are satisfied after evaluating and judging the service they have received then their perceptions should be high. In this regard, Zeithaml, Bitner and Gremler (2003) define perceptions as the assessment and evaluation that a consumer makes about the superiority of a service. Hence, customer perceptions will be based on the evaluation and judgement made on the quality or the actual performance in comparison to the perceived service. Furthermore, it can be all too easy to put aside customer perceptions of a service on operational service quality, and there should be a match between service quality and the quality of the service as perceived by the customer (Johnston and Clark, 2005).

In considering formalizing customer perceptions, there are two relevant cases. Firstly, the case of the presence of customer knowledge and experience about the service provided. In such a case, experience becomes vital when the customer judges the service (O'Neill and Palmer, 2003). Experience is the subjective human process that involves reactions and feelings which are felt by the customer while the service is being perceived (Chen and Chen, 2009). Furthermore, customer perception is not stable and it may change due to a number of factors, such as culture, time, customer taste and external communication of the organisation (Zeithaml, Bitner and Gremler, 2009). However, there are four primary factors that form customers' perceptions. These factors are 'service encounters' which are related to customers' verbal and non verbal behaviour (Zeithaml and Bitner, 1996; Bitner, 1990), 'evidence of service' which is related to the attributes that help customers to determine their perceptions on the actual service performance such as employees, process, and physical evidence (Kangis and Voukelatos, 1997), 'image' which is related to the image held in the memory of the customer about the service provider (various studies of service organisations have found that service quality is the single most important determinant of image). Thus, image has an influence on customers' buying behaviour and is therefore able to affect the customers' perception of quality received (Gronroos, 1990; Kasper, Helsdingen and de Vries jr, 1999), and 'price' which is related to the price that a customer must pay to get the service (Zeithaml and Bitner, 1996). Palmer (2008) mentions that price decisions affect customers' expectations and their perceptions of service quality, as well as the service organisation's ability to deliver the quality of services. Additionally, Palmer has identified the significant influence the price factor has on customer perceptions by saying that when all other factors are equal, the potential customer can take the price as a basis for judging service quality.

Customer perceptions will vary based on many factors, including competition, the impact of promotion, previous experiences, corporate brand and product, and changing customer tastes

with time (Zeithaml, 1988). Table 2.3 shows the Takenchi and Quelch table of quality perception factors.

Table 2.3 Takenchi and Quelch Table of Quality Perception Factors

Before Purchasing	At Point of Purchasing	After Purchasing
Company's brand	Performance	Ease of installation and use
Name and image	Specifications	Handling of repair claims and warranty
Previous experience	Comments of sales people	Spare parts availability
Opinions of friends	Warranty provisions	Service effectiveness
Store reputation	Service and repair policies	Reliability
Published test results	Support programmes	Comparative performance
Advertised price for performance	Quoted price for performance	

Source: Obaid, (2006, p. 23)

Alternatively, the second case is related to the absence of customer knowledge regarding technical quality, which in turn affects the technical characteristics of the service. In this case, job quality drives the main formalization of customer perceptions (Burch, Rogers and Underwood, 1995).

Customer perceptions have been widely used in investigating the level of quality of service provided by service organisations. For example, some researchers and scholars in empirical studies have only used customer perceptions as a basis for identifying service quality level, rather than using differences between customer expectations and perceptions (Bahia and Nantel, 2000; Sureshandar, Rajendran and Anantharaman, 2003; Jabnoun and Al-Tamimi, 2003; Glaveli *et al.*, 2006). In this regard, Jabnoun and Al-Tamimi (2003) argue that using perceptions as the single basis makes the task of measuring service quality easier. Alternatively, other researchers have used the differences between perceptions and expectations (expectations-perceptions gap analysis) as the basis to identify service quality level (Parasuraman, Zeithaml and Berry 1988; Cronin and Taylor, 1992; Babakus and Boller, 1992; Blanchard and Galloway, 1994; Kangis and Vonkelatos, 1997; Bhat, 2005; Chen and Chen, 2009; Guo, Duff and Hair, 2008). Service quality measurement issues will be discussed in detail in Chapter Three (Measuring Service Quality).

In summary, service quality perceptions refers to consumer evaluation and judgement of the actual performance of a service. More precisely, it means how customers perceive services, how they evaluate and judge the service, whether they have prior experience or not, and whether they are satisfied or not. With regards to formalizing perceptions, it is also important to mention that customer perceptions are influenced by primary factors such as service encounters, evidence of service, image and price.

2.4 Customer Expectations

The concept of expectations plays a vital role in most recent arguments found in service quality literature (Zeithaml, Bitner and Gremler, 2009). Even though this concept is widely discussed, there is still much to discover about what expectations actually are, what role they perform, and how service and product managers within organisations should understand the importance and impact of expectations (Johnston and Clark, 2005). The concept of expectations has been implemented in different areas of business. For instance, expectations have been recognised as very important, especially in terms of satisfaction with a service and product performance (Zeithaml, Bitner and Gremler, 2009). Lately, expectations have been considered a particular feature of the service operations management field (Johnston and Clark, 2005). In addition, expectations issues have clearly emerged in relation to service quality concerns (Parasuraman, Zeithaml and Berry, 1988).

2.4.1 Expectations concept

A number of researchers have attempted to clarify the expectations concept whilst discussing and analyzing the nature and management of services. In most cases, to discover overall service quality and customer satisfaction there is a need to compare customer expectations and the status of their perceptions of service performance (Parasuraman, Zeithaml and Berry, 1988). This task actually helps researchers and managers to evaluate and measure service quality levels and customer satisfaction. The aforementioned authors also note the difference between three concepts: service quality, service encounter satisfaction, and total satisfaction.

The term 'customer satisfaction' can be seen as satisfaction at the point of delivery. For example, customer dis/satisfaction with the level of service they have received will reflect the customer's view about a specific interaction of current reality (Johnston and Clark, 2005). Even though there is a consensus that service quality and customer satisfaction are mostly influenced by expectations, work is still required in this area to describe this process and how it is actually occurs (Zeithaml, Bitner and Gremler, 2009).

Although there is extensive literature available on service quality that supports the idea of expectations, with some exceptions (Berry and Parasuraman, 1991; Parasuraman, Zeithaml and Berry, 1988; Johnston and Clark, 2005; Zeithaml, Bitner and Gremler, 2009; Leventhal,

2008) a definition of the concept of expectations rarely exists. According to Zeithaml, Bitner and Gremler (2009, p. 75), customer expectations are "beliefs about service delivery that serve as standards or reference points against which performance is judged". Kasper, Helsdingen and Gabbott (2006, p. 184) define customer expectations as "norms, values, wishes and needs". Typically, the concept of expectations found in organizational literature is defined in two ways. The first defines it by focusing on customer behaviour. An expectation is seen as self-likelihood in which the behaviour will result in specific outcomes. In most cases, there is an exchange between this approach and the term of expectancy (Bardwell, 1984). The second defines the concept of expectations according to customer desires (Parasuraman and Berry, 1991).

In general, expectations can be seen as the likelihood of individuals, in the immediate or near future, experiencing a particular pattern of events. This broad concept has emerged in several contexts as service performance expectations (Ilgen, 1971), product assessment (Churchill and Suprenant, 1982), and job concerns and employee roles (Ghobadian, 1993).

Within service management literature, there are clear differences between definitions of expectations. Boulding *et al.* (1993) and Zeithaml, Berry and Parasuraman (1993) have been at the forefront of clarifying a definition. They argue that the definition of expectations exists in two principal conceptualizations. The first principle conceptualization is related to customer satisfaction/dissatisfaction literature, such as the definition developed by Zeithaml, Berry and Parasuraman, (1993) who define expectations as predictions made by customers related to what is likely to happen during an impending exchange or transaction. This definition suits predictive expectations in terms of the likelihood or probability of the occurrence of future affairs. The alternative conceptualization considers expectations to generally be what customers ideally want.

Researchers have defined customer expectations as what customers believe should happen (Boulding *et al.*, 1993; Johnston and Clark, 2005), what customers hope for (Zeithaml, Berry and Parasuraman, 1993), what customers wish for (Edvardsson, Thomasson and John, 1994), what customers expect from an excellent service provider (Zeithaml, Parasuraman and Berry, 1990), and what customers predict product and service performance to be like in the future (Liljander and Tore, 1995). These definitions found in service quality literature indicate that in general, expectations are expressions of what customers believe a service provider should offer (should expectations), rather than would offer.

It can be presumed that these two perspectives are, in most cases, used mutually in arguments on service quality, making it difficult to translate results, particularly in evaluation and measurement issues. Furthermore, the concept of customer expectations should encompass both what customers believe and what customers want, although this is based on the capability of the service provider. Continuing with this conceptualisation,

'should expectations' are not the same as desired standards (Boulding *et al*., 1993). For instance, the customer may believe that an expensive hotel should have a swimming pool available for customers (should expectations), even though the customer may have no desire to use it.

It can be concluded from the above that the term 'expectations' can be used to describe what customers think or believe a service organisation is capable of providing (should happen) and what customers predict about service events (will happen). Therefore, it is important for organisations to be aware of customer expectations (Wilson *et al*., 2008), as understanding and knowing customer expectations will lead to customer satisfaction (Dutta and Dutta, 2009).

2.4.2 How expectations are formed

Researchers have widely discussed how expectations are formed. Expectations can be based on image (Gronroos, 1990), word of mouth, past experience (Zeithaml, Bitner and Gremler, 2009), market communication, traditional marketing mix and customer pre-attitudes (Leventhal, 2008), and customer needs (Edvardsson, Thomasson and John*,* 1994). Customer needs can be divided into three categories (Leventhal 2008), as follows:

1. Must be needs - those needs which will only be missed if not provided;
2. Expected needs - those needs which customers can predict;
3. Exciting requirements - those unexpected needs which lead to a good level of satisfaction.

In many cases, customers' 'expected needs' can be transformed to 'must be needs', which can be a motive for service or goods providers to carry out continuous improvement (Lim, Tang and Jackson*,* 1999). However, customers' expectations can be adapted to particular services or products, leading to customers not changing their providers or suppliers (Leventhal, 2008). Continuing with the same concept, when customers get new information about other providers or suppliers, they will weigh up the cost of moving to the new provider versus staying with the adapted provider (Gilbert, Lumpkin and Dant*,* 1992).

2.4.3 Factors influencing expectations

Customer expectations can be influenced by many factors. Berry and Parasuraman (1991) discuss two levels of expectations, arguing that customer service expectations exist at two different levels. These are the desired level and the adequate level. The desired level refers to the service that a customer hopes to receive, which means the desired level is a blend of the customer's beliefs about what the service 'can be' and 'should be'. The adequate level refers to the service that the customer can accept. It is therefore the task of the customer to assess

what the service 'will be'. The best example of the adequate level is the level of service predicted by the customer. Furthermore, the difference between the desired level and the adequate level is known as the tolerance zone, which changes over time from service to service and from customer to customer (Kasper, Helsdingen and Gabbott, 2006). According to Zeithaml, Bitner and Gremler (2009, p. 80), it is "the extent to which customers recognise and are willing to accept variations in service".

The factors influencing customer expectations can be categorised as factors influencing desired expectations, and factors influencing adequate expectations. Figure 2.2 below shows the factors that influence desired and adequate expectations.

Figure 2.2 Factors that Influence Desired and Adequate Service

| Personal Needs |
| Lasting Service Intensifiers |

→ Desired Service

| Temporary Service Intensifiers |
| Perceived Service Alternatives |
| Self-Perceived Service Role |
| Situational Factors |

→ Adequate Service

Zone of Tolerance

Explicit Service Promises
Services Prices
Word-of-Mouth Communication
Past Experience

Predicted Service
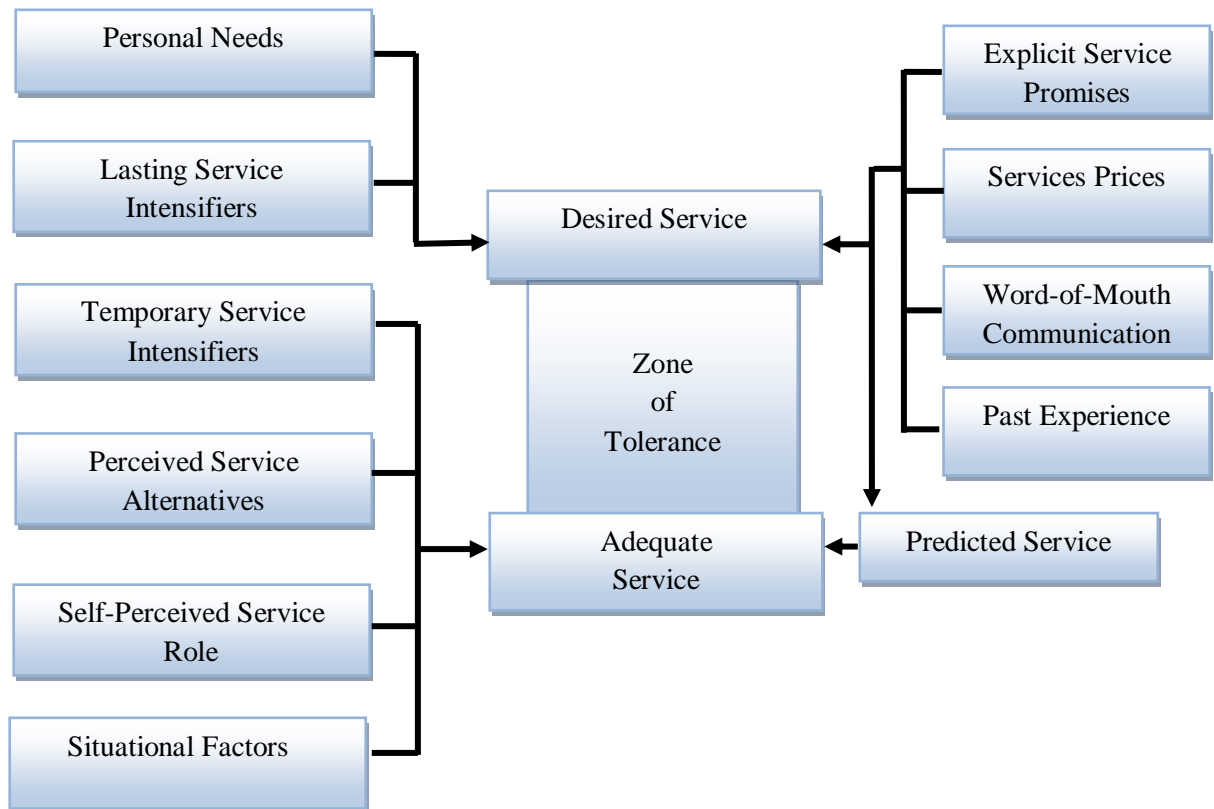
Source: Zeithaml, Bitner and Gremler (2009, p. 87)

2.4.3.1 Factors influencing desired expectations

According to Zeithaml, Bitner and Gremler (2009) and Zeithaml, Berry and Parasuraman (1993), there are two factors that influence desired expectations. They are personal needs and lasting service intensifiers. Firstly, personal needs are vital factors that shape customers' desires, and they can be broken down into four categories: physical needs, social needs, psychological needs, and functional needs. Secondly, lasting service intensifiers can be broken down into two further categories:

1. Derived service expectations - this takes place when customer expectations are driven by another person or group of people.
2. Personal service philosophy - which is defined as customer attitudes regarding the meaning of the service and dealing of the service provider.

2.4.3.2 Factors influencing adequate expectations

Zeithaml, Berry and Parasuraman (1993) have identified a group of factors that affect adequate expectations, as follows:

1. Temporary service intensifiers - this refers to individual factors that form an urgent need for a service, such as emergency situations.
2. Perceived service alternatives - this refers to the availability of alternative service providers.
3. Customer self-perceived service role - this refers to how customers believe they are affecting service delivery by performing their own roles.
4. Situational factors - this refers to the conditions of service performance resulting from the service provider's control.

Predicted service is the service level that customers believe it is appropriate to receive. In turn, predictive service will be influenced by four factors, as follows:

1. Explicit service promises - these refer to personal and non-personal statements regarding the services provided for customers by organisations. These promises are represented in different forms, such as contracts, communication through service departments, personal selling, and advertisements. These forms have direct influence on both the desired service and predicted service. This influence may be based on the difficulty the customer has to evaluate product or service quality (Zeithaml, Berry and Parasuraman, 1993).
2. Service prices - this refers to the price that the customer has to pay to get the service. A study by Zeithaml (1988) shows that in most cases, customers use tangibles and price as surrogates of quality. Generally, it is recognised that when a customer pays a

high price they can expect a high quality service. Similarly, a customer who stays at a posh hotel may desire and predict high standards of service.

3. Word-of-mouth communication - the role of word-of-mouth communication in forming customer expectations of service is well supported by a number of studies (Parasuraman, Zeithaml and Berry, 1985; Johnston and Clark, 2005; Zethaml, Berry and Parasuraman, 1993; Zeithaml, Bitner and Gremler, 2009). Word-of-mouth communication includes personal statements or sometimes non-personal statements given by parties other than organisations. Furthermore, because of the difficulty that customers face when evaluating services prior to purchasing, word-of-mouth communication appears to be quite important. Word-of-mouth communication sources include consumer reports, friends, and family, who influence the levels of desired service and predicted service (Zeithaml, Berry and Parasuraman, 1993).

4. Past experience - this refers to previous knowledge about the service provided by a previous service provider. Past experience is another factor that shapes predictions and desires (Smith and Swinyard, 1983). Specifically, evidence given by Woodruff, Cadotte and Jenkins (1987) proves that using different experience norms leads to customer satisfaction. These norms are focussed on brands and the typical performance of particular brands.

2.5 Service quality models

Recently, the conceptualization of service quality has been given a great deal of attention by researchers. The launch of 'service quality' has made it necessary to obtain a clear understanding of service quality from an advantage standpoint. Reaching a clear understanding of this point is necessary, but not sufficient to guide service quality improvement. Therefore, conceptual models have become very important because they enable organisation managers to identify service quality shortfalls and plan the launch of service quality improvements (Seth, Deshmukh and Vrat, 2005; Ahmad *et al*., 2009). In broad terms, service quality models attempt to discover relationships among salient variables, which are like a simplified description of the actuality. However, the majority of service quality models propose multidimensionality conceptualisation of service quality. This has led to the recognition that service quality should be measured from a customer's perspective (Parasuraman, Zeithaml and Berry, 1988).

Within service literature, the theoretical framework of service quality has been described through two schools of service quality models. These are the North American school and the Nordic school (Caro and Garcia, 2007; Karatepe, Yavas and Babakus, 2005). It has been noted that the North American school model and Nordic school model have been integrated into a new hierarchical model (Brady and Cronin, 2001). This section will review these two

schools of thought, as well as the hierarchical model. This section will also introduce other service quality models available in literature which reflect the importance and dimensions of service quality. Each model represents a different point of view and has been constructed to emphasize a particular bias and build a particular service quality concept. The models will be presented in this section in chronological order.

2.5 1 North American school

The most widely known service quality model found in literature is the Gap Analysis Model, which stems from the North American school. The model was developed by Parasuraman, Zeithaml and Berry (1988) (Prayag, 2007; O'Neill and Palmer, 2003; Karatepe, Yavas and Babakus, 2005). This model is also known as the disconfirmation model, and it was first developed in 1985, being modified and amended in 1988, 1991 and 1994 (Akbaba, 2006). The Gap Analysis Model is useful in providing managers with tools that help improve service quality levels offered by organisations. The model is based on five gaps, with the consumer gap (gap 5) being the most important gap. The consumer gap is the difference between customer expectations and perceptions of the service they receive (Zeithaml, Bitner and Gremler, 2009). Knowing and understanding the customer gap (gap 5) is vital for improving service quality levels in firms; however, it cannot be closed or reduced without closing the other gaps (1-4) (Wilson *et al.*, 2008). Closing gaps 1 to 4 is pivotal for closing the customer gap, as shown in Figure 2.4 below (Zeithaml, Bitner and Gremler, 2009). Gaps 1 to 4 are called provider gaps and are internal gaps caused by the organisation itself that provides the service (Wilson *et al.*, 2008). They are less well researched than the customer gap (Urban, 2009). However, the direction and size of gap 5 is affected by gaps 1 to 4; therefore, to enhance service quality, gaps 1 to 4 need to be closed or reduced (Kasper, Helsdingen and Gabbott, 2006).

Figure 2.3 Gap Analysis Model

Consumer

| Word-of-mouth communication | Personal needs | Past experience |

Expected
.

Gap 5

Perceived
.

Market

Service delivery
(including pre-
and post-contacts)

Gap 4

External
communications
to consumers

Gap 3

Gap 1

Translation of
perceptions into
service quality
specification

Gap 2

Management
perception of
consumer
expectation
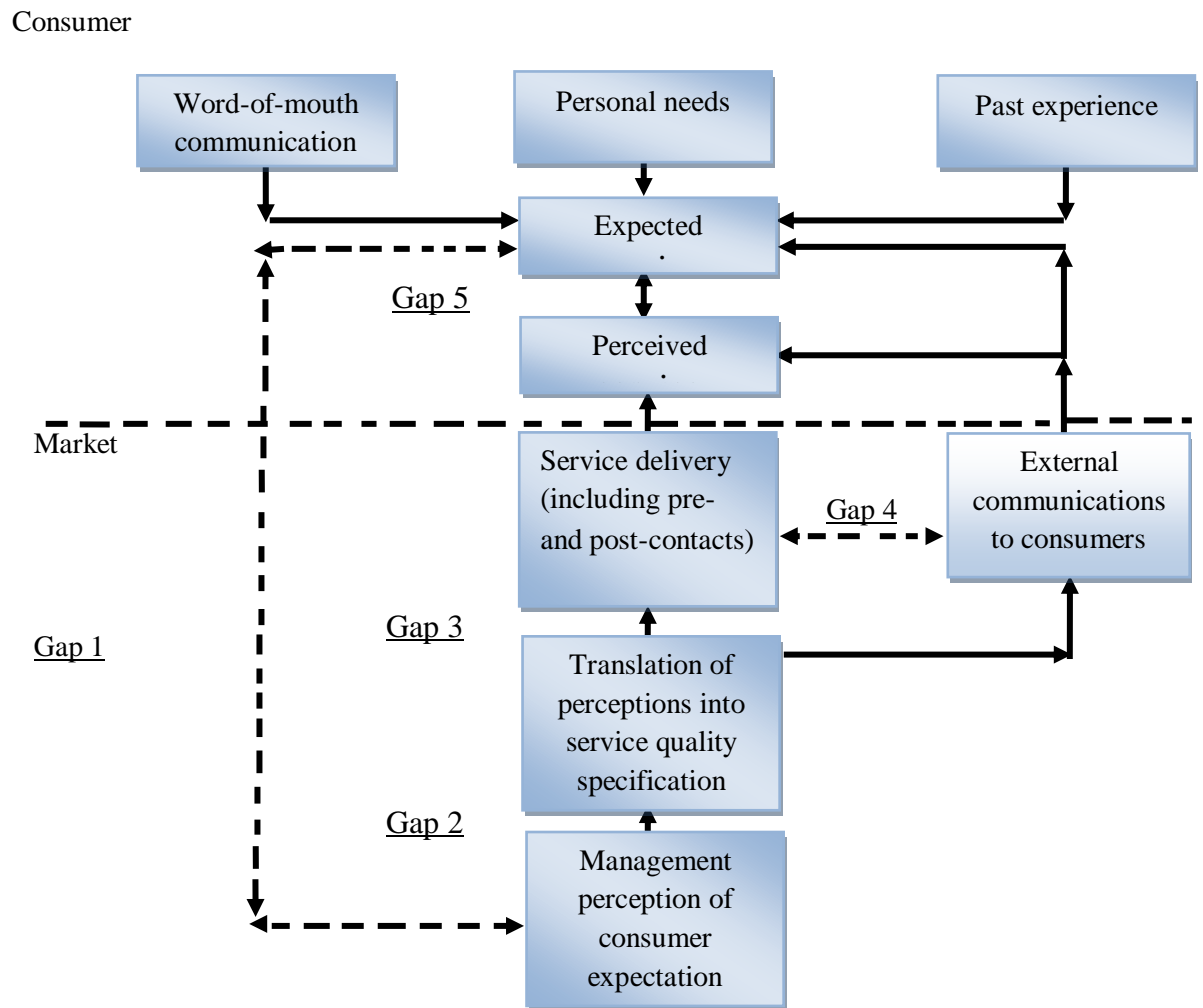
Source: Parasuraman, Zeithaml and Berry (1985, p. 44)

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The model shown in Figure 2.3 illustrates perceived service quality as a function of five gaps. These gaps are described below (Kolter and Armstrong, 2010):

1. *Consumer expectation – management perception gap (gap 1)*:

   This gap is the result of the difference between consumer expectations and management perceptions, which in turn leads to customer assessments of service quality being affected. An organisation's management may not have accurate perceptions of what exact expectations consumers have and they may be unaware of the important service aspects which customers look for. This gap is caused by a lack of proper market/ customer focus, an unwillingness of management to tackle customers' problems, and a lack of communication between management levels. In many organisations the marketing department does not automatically ensure market focus. In such cases, effective processes developed by management, market analysis tools and attitude are required.

2. *Service quality specification gap (gap 2)*:

   This gap is the result of the difference between management perceptions of consumer expectations and the organisation's service quality specifications, which in turn affects service quality from the consumer's point of view. More precisely, management may be unable to translate customer expectations into service quality specifications. Obviously, this means that the existence of this gap is based on aspects related to service design. A railway company, for instance, may note that their customers need a better meal service on long journeys. This request, therefore, needs to be met in the form of better food menus being introduced for customers.

3. *Service delivery gap (gap 3)*:

   This gap is the result of the difference between service quality specifications and actual service delivery, which influences service quality from the consumer's point of view. Guidelines for service delivery do not ultimately guarantee high-quality service delivery. The reasons behind this gap include insufficient support for front line staff (who are responsible for service delivery), and process problems. For instance, the railway company in the previous example may provide such an extensive menu that it does not leave enough time to serve the customer, which leads to the customer developing a perception of poor quality. If the stewardesses are not friendly with customers, once again the investment in the meal service will be useless in improving perceptions of quality. Employees should be properly trained to ensure that service delivery matches or exceeds service specifications.

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4. *External communication gap (gap 4)*:

This gap is the result of the difference between actual service delivery and external communications about the service, which influences service quality from a consumer's point of view. Organisations should fashion consumer expectations via their external communications. A more positive perception of service quality can be promoted through real expectation. For instance, the service organisation should confirm that its marketing and promotion material precisely describes the service offered and delivered. In reality, this is why service organisations should separate operation and marketing functions. External factors such as advertising and promotion may lead to an increase in the expectations of customers about the service. It is therefore necessary for companies to promise only that which they are able to deliver, otherwise customers can become frustrated.

5. *Expected service – perceived service gap (gap 5)*:

This gap is the result of the difference between service quality, as perceived by consumers, and expected service, which depends on the nature of the gaps associated with marketing, design and service. Customers, for instance, have expectations formed from past experiences, word-of-mouth, and personal needs. Customer perceptions are the subjective evaluation or assessment of the actual service at the time of service delivery.

It can be seen that the above model is a diagnostic tool. If management uses this model properly, they can find out systematically their service quality shortfalls. In other words, the Gap Analysis Model helps to identify gaps between a number of variables and aspects influencing service quality.

2.5.1.1 The antecedents of service quality gaps

Zeithaml, Parasuraman and Berry (1990) have identified certain factors that lie behind the existence of service quality gaps. These factors have been called antecedents. For instance, it has been identified that gap 1 results from the difference between customer expectations and management perceptions of those expectations (Parasuraman, Zeithaml and Berry 1985). The antecedents that stand behind this gap are unawareness of marketing research, weak upward contact, and multiplicity of administration levels in a firm. Zeithaml, Berry and Parasuraman (1992) go through these antecedents that result in gap 1, linking service quality management with marketing research orientation, which in turn includes three significant elements:

1. The amount of marketing research conducted.

2. How an organisation makes marketing research work.
3. How the focus of the marketing research meets the objectives.

They also report that in the case of paying more attention to operational factors, marketing research focused on customer needs will be neglected. This occurs particularly when the management is operation-oriented, thus it pays less attention to marketing research. Consequently, this weakness in marketing research can widen the gap.

Zeithaml, Berry and Parasuraman (1992) link upward contact with several elements, including:

- The quality of contact between the customers and personnel.
- The contact or interaction between managers and customers.
- The extent of the communication between managers and employees.

The nature of communication between the customer and personnel has a vital role in delivering the specified messages. For example, it has been noted that face-to-face communication is the most successful method. Zeithaml, Berry and Parasuraman (1992) add that customers' expectations and perceptions can be predicted by the contact between employees and a customer, and management should improve this sort of communication by creating a number of effective tools, whether from an employee or customer side.

In a different context, Grapentine (1998) has identified a number of elements that can be categorized as levels of management. These elements are the layers that may exist between top managers and customer contact personnel, which in turn affect the size of the gap.

With regard to gap 2, it has been mentioned that this gap occurs between management perceptions of customer expectations and an organisation's service quality specification (Parasuraman, Zeithaml and Berry, 1985). Zeithaml, Berry and Parasuraman (1992) have identified certain antecedents such as management commitments not fitting service quality programs, weaknesses in formulating tasks and setting goals, and the practical impression. They have also identified some indicators of management commitment in terms of service quality. For example, providing the required resources for service quality programs, and commitment from top management of providing consistent and effective strategies, will provide an idea about the extent of the management commitment to design and delivery of the desired service quality levels.

Goal-setting by management has been discussed by Zeithaml, Berry and Parasuraman (1992) and their work shows that using technology to formalize standards for hardware and software programs raises the competence of service quality processes. Using technology also eases service quality measurement, facilitates problem recovery, and quickens responses. Thus, failure to pay sufficient attention to these issues can eventually lead to augmentation of the

gap. Zeithaml, Parasuraman and Berry (1990) present another antecedent of gap 2, namely the perception of feasibility, in which management sees its ability in terms of meeting customer expectations.

It has been identified that gap 3 proceeds from the difference between an organisation's service quality specifications made by the organisation and the actual service delivery (Parasuraman, Zeithaml and Berry, 1985). The antecedents of gap 3 have been identified by Zeithaml, Berry and Parasuraman (1992), who suggest there are a number of factors involved including a failure to work as a team, the failure of supervisors in monitoring and controlling systems, role ambiguity, role conflict, and a lack of perceived control. It has been recognised that gap 3 results from the inability of employees to specify the service at the desired level. To explain the role of teamwork as factor that is an antecedent to gap 3, team work elements can be seen to include customer contact personnel feeling that the management provides the care, internal programs of customer service, internal cooperation within the firm between business units, involving employees in service quality programs, and management programs in developing employee commitment towards service quality issues. Job competence of employees refers to the ability of employees to conduct their job functions and the feeling among employees that they should be committed to carrying out their work effectively, which is known as 'employees' job fitness'. There are certain tools that can help with correct performance of a job, such as effective equipment. This is known as 'technology job fitness'.

According to Zeithaml, Berry and Parasuraman (1992), the element of supervisory control systems includes the ability of the management to evaluate employees' work based on their actual efforts, instead merely by the quality of output. The element of role conflict occurs when the policies of management contrast with the quality specification. In addition, another element which has an impact on this antecedent is the amount of paperwork that is used to complete the service and the internal communications between departments that are required to deliver the service. Additionally, the element of role ambiguity includes a lack of information being available that is needed to deliver the service, the ambiguity of goals and specifications to employees, and infrequent communication between an organisation's units. The element of perceived control includes the availability of time given to customers to contact employees, the ability of management to predict the demands and needs of both employees and customers, and the ability of employees to control their job.

It has been noted that gap 4 results from the differences between service delivery and external communication (Parasuraman, Zeithaml and Berry, 1985). Accordingly, the antecedents behind this gap are weakness in the communication between an organisation and its branches, and the ability of personnel to perform the promised service (an organisation

should not exaggerate in its promises to customers (Zeithaml, Berry and Parasuraman, 1992). Figure 3.1 shows service quality gaps in these antecedents.

Figure 2.4 SERVQUAL Gaps Model and Related Antecedents

Marketing Research Orientation
Upward Communication
Levels of Management

GAP 1

Management Commitment
Goal Setting
Task Standardization
Perception of Feasibility

GAP 2

Teamwork
Employees-Job Fit
Perceived Control
Supervisory Control Systems
Role Conflict
Role Ambiguity

GAP 3

Horizontal Communication
Propensity to Over-promise

GAP 4

GAP 5

Tangibles
Reliability
Responsiveness
Assurance
Empathy

Source: Zeithaml and Parasuraman (1990, p. 131)

It can be seen that antecedents of service quality gaps explain the accuracy of these gaps and determine the particular factors that lie behind them. More importantly, knowing these antecedents can enable management to diagnose the actual relative problems that have led to the existence of the gaps and ultimately solve these problems. They provide valuable diagnostic tools and guidance that management can use to overcome cases of service quality failure. Addressing service quality problems based on these diagnostic tools will improve an organisation's productivity in general, and service quality levels in particular.

2.5.2 Nordic school

Gronroos is the main contributor to the Nordic school's Service Quality Model. The model is not as widely known as the Gap Analysis Model (North American school) (Kang and James, 2004). The model includes three service quality dimensions. These are technical quality, functional quality and image (Gronroos, 2007a). Technical quality refers to what customers receive by interacting with the service provider (outcome). This dimension is usually more objectively measured than the functional dimension (Palmer, 2008). Functional quality (process) refers to the subjective evaluation that customers make about a service. It also refers to how a service provider performs or delivers a service. For instance, the way personnel deal with customers within the time they are waiting for the service (Palmer, 2008). Furthermore, this dimension is related to appearance, behaviour and organisation personnel communicating with customers, which in turn can influence the customer's evaluation of the service and "how the customer gets the technical outcome" (Gronroos, 2007a, p.61).

Image dimension refers to the company image and how customers perceive the firm (Gronroos, 2007b). External factors such as advertising that is undertaken by the company can influence its image. If a positive image of the organization is held in the memory of the customer, s/he will tolerate small mistakes if these mistakes are not repeated, while a negative image leads to customers being less tolerant of mistakes made by the organisation (Kang and James, 2004).

In some cases Gronroos introduces image as a dimension, and sometimes he introduces it as a factor that has an impact on technical and functional quality dimensions; he does not refer to it as a dimension. Therefore, Gronroos' model can be seen as both a three dimensional model and a two dimensional model (Gronroos, 2007b; a), depending on whether image is included or excluded as a dimension.

Figure 2.5 Gronroos' Service Quality Model
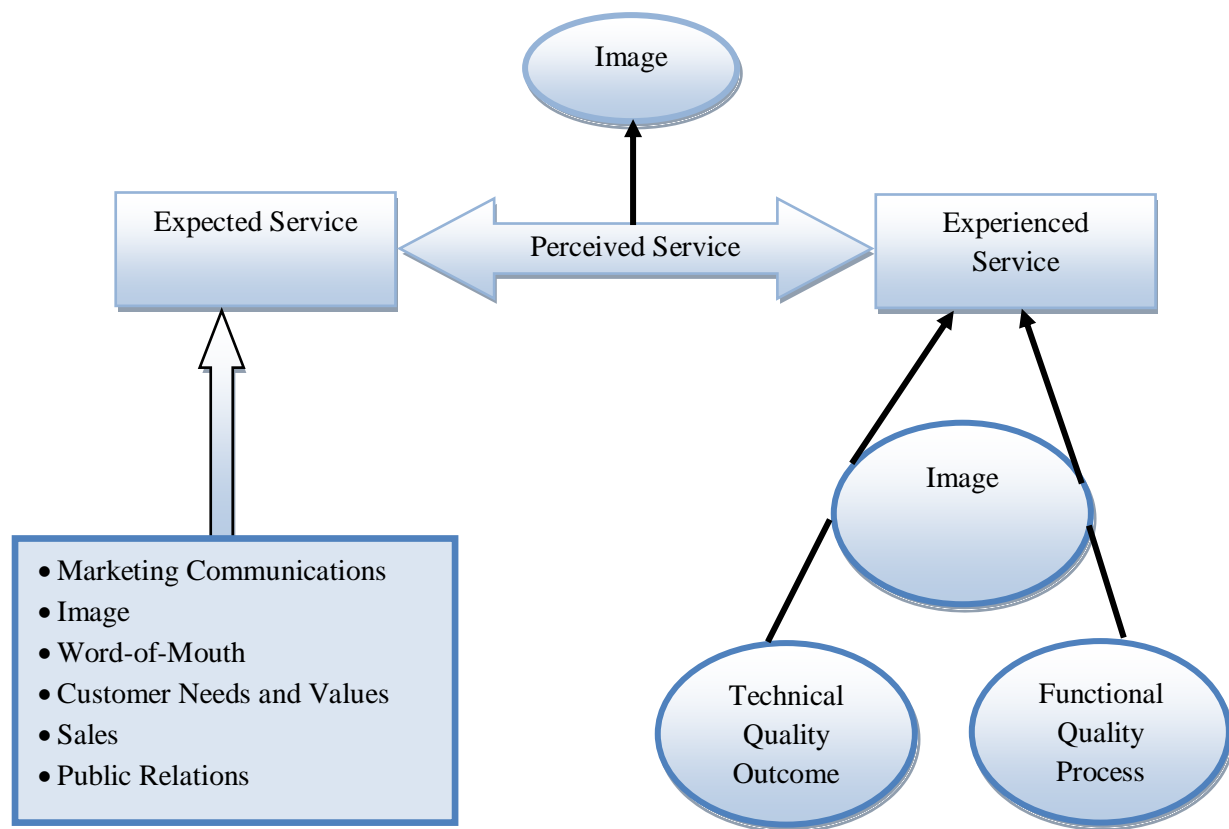
Source: Gronroos (2007, p. 77)

It can be noted from Figure 2.5 (Nordic model) above that experienced service has only three dimensions: technical quality, functional quality and image. Expected service, on the other hand, has many components including marketing, communication, sales, image, word-of-mouth and customer needs (Gronroos, 2007b). The experienced service and the expected service determine the perceived service. For instance, a customer has high perceptions of service quality when his or her experiences meet their expectations (Gronroos, 2007b). Gronroos (2000) argues that the perceived service quality is not an outcome of the technical and functional dimension only, but an outcome of the difference between the customer's expectations of service quality and the customer's experiences of service quality. He also adds that to reach high levels of service quality, seven criteria must be met, as follows:

1. Professionalism and skills - this refers to employees' skills in an organisation and how they use these skills when dealing with customer problem solving (outcome dimension).

2. Attitude and behaviour - this refers to the friendless of the organisation's employees (process dimension).

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3. Accessibility and flexibility - this refers to the speed of service delivery, the operating hours of the organisation and the systems used within the organisation to facilitate delivery of the service to the customer (process dimension).

4. Reliability and trustworthiness - this is the criteria that are related to the ability of the organisation to perform the promised service accurately and without errors (process dimension).

5. Service recovery - this refers to the way in which the organisation deals with service failure and how they rectify the situation (process dimension).

6. Serviscape - this refers to the organisation's physical aspects which support a pleasurable experience (process dimension).

7. Reputation and credibility - this refers to the customer's faith about the service provider and how s/he receives value for their money (image).

On the other hand, there is another model which can be categorised under the Nordic school (Athanassopoulos, 2000). This model includes three dimensions, as follows (Lehtinen and Lehtinen, 1991):

1. Physical quality - this refers to the physical products (goods) consumed within the service process. In most cases physical quality is evaluated in an objective manner. It also includes physical support which facilitates the service production. Physical support is further divided into two elements: the environment of the service such as the decoration and facilities within an organisation, and the equipment such as PCs in the case of a bank.

2. Interactive quality - this refers to the interaction that customers have with employees or any other elements (i.e. ATM machines in banks) within an organisation. It also includes the interaction customers have with each other.

3. Corporate quality - this is the dimension that is related to the history of the organisation and its image. This dimension takes time to evolve.

Lehtinnen and Lehtinen (1991) have created another service quality model based on the customer's point of view. It includes two dimensions:

1. Process quality - this dimension represents the way the customer sees the production process. Therefore, this dimension can be taken as the subjective assessment of the service process. Process quality stems from a match between the customer's style and the provider's style, and if there is a mismatch between the two, low quality will be perceived by the customer.

2. Output quality - this refers to the customer's judgment of the end result of the service. It is further divided into two elements: tangibles (i.e. car wash) and intangibles (i.e. tourism that depends on feelings of customer).

2.5.3 Hierarchical Model

The Hierarchical Model was developed by Brady and Cronin (2001), who adapted the views of Rust and Oliver (1994) and Dabholkar, Thorpe and Tenz (1996). They concluded in their model that perceived service quality is based on three dimensions (see Figure 2.6). These dimensions are customer employee interaction, service environment and outcome. Furthermore, they argued that service quality is a multidimensional and multilevel construct. Therefore, the hierarchical model conceptualised service quality based on three dimensions: interaction quality, physical environment quality and outcome quality. For each dimension there are three sub-dimensions which form the perception of that dimension. The combined perception of interaction quality, physical environment quality and outcome quality leads to the overall service quality perception.

Figure 2.6 Hierarchical Model
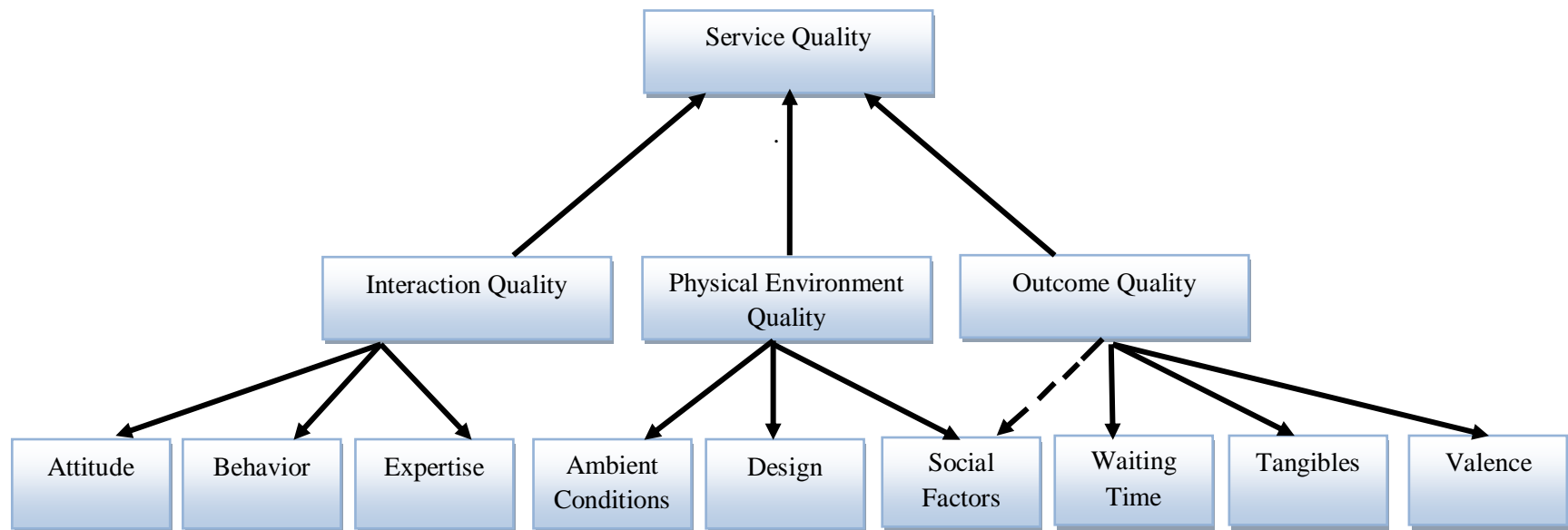
Source: Brady and Cronin (2001, p. 37)

It can be seen that the three service quality models are similar in that all of them are multidimensional models; the main differences between the American school model, the Nordic school model and the Hierarchical Model are introduced in Table 2.4 below. The seven criteria of the Nordic school leading to high levels of service quality are similar to the dimensions of the American school model. Also, the two criteria of professionalism and skills in the Nordic school model are similar to one of the American school questionnaire items. Attitude and behaviour of employees are stated as the second criteria for improving service quality in the Nordic school, and this matches one of the items in the American school questionnaire; the list goes on. At a surface level one might think that the two schools are very different, but by looking more closely at them it can be seen that they are quite similar.

Table 2.4 The Differences Between the North American School Model, Nordic School Model, and Hierarchical Model

Difference based on	The North American School Model	The Nordic School Model	The Hierarchical Model
Authors	Parasuraman, Zeithaml and Berry (1988)	Gronroos (2007b)	Brady and Cronin (2001)
Definition of service quality	The difference between perceived service quality and expected service quality	The difference between expected service quality and experienced service quality	The combined perception of three dimensions of interaction quality, physical environment quality and outcome quality leads to overall service quality perception
Service quality dimension	Five dimensions: reliability, responsiveness, assurance, empathy and tangibles	Two or three dimensions: technical quality, functional quality and image	Three dimensions: interaction quality, physical environment quality and outcome quality
Service quality improvement	Five service quality gaps need to be reduced or closed; gap 5 is the heart of all gaps	High level of service quality requires seven criteria	Managers can find out the areas of weakness by focusing on nine sub-dimensions

2.5.4 Other service quality models

Other service quality models can be found in literature. These models are based on the importance of service quality, how service quality can be improved and the dimensions of service quality. For instance, dimensions of service quality are those service attributes which a customer might have expectations about, and also the service needs that are to be received by the customer at a specified level (Johnston and Clark, 2005). Parasuraman, Zeithaml and Berry (1985) developed the Service Quality Dimensions Model, identifying ten dimensions that are determinants of perceived service quality. They mentioned that in order to assess the service quality offered by any business, customers rely on a set of dimensions as criteria. These dimensions are shown in Figure 2.7 below.

Figure 2.7 Service Quality Dimensions Model
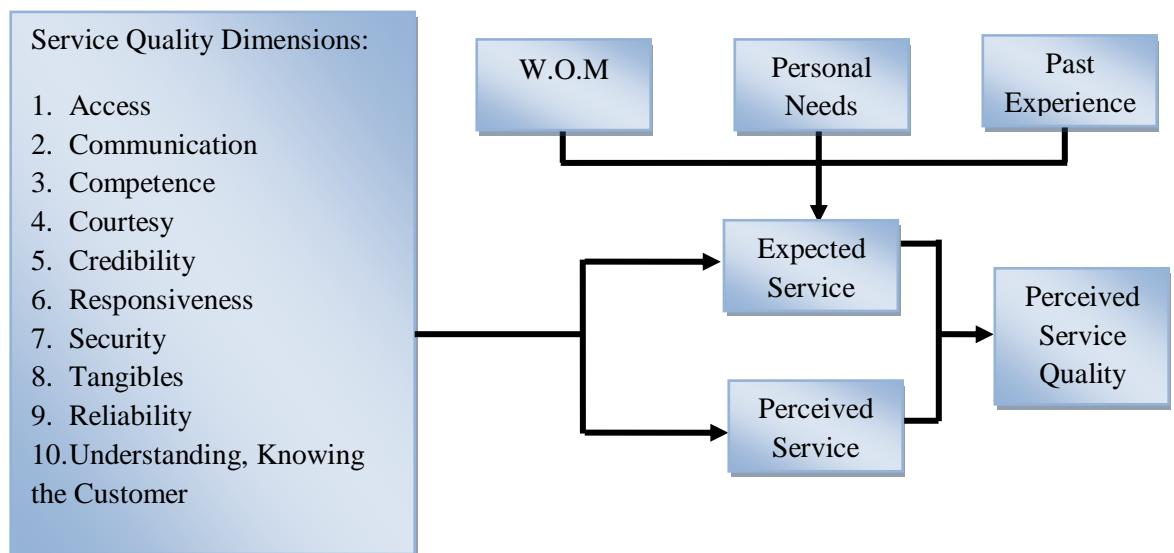
Source: Parasuraman, Zeithaml and Berry (1985, p. 48)

The model suggests, in addition to the three factors that affect or shape customers' expectations (word-of-mouth, personal needs and past experience), ten dimensions as follows: access; communication; competence; courtesy; credibility; responsiveness; security; tangibles; reliability; and understanding, knowing the customer. It can be noted that these dimensions are not independent of each other, as Zeithaml and Parasuraman (1990) mentioned in their book, as an overlap may occur between two or more of them.

There is no doubt that one of the most important factors that influences service quality success is the balance between customers and staff in an organisation. Beddowes *et al.* (1987) developed the Behavioural Service Quality Model based on behavioural considerations. This model is shown in Figure 2.8. Their research mentioned that common

mistakes are made by service organisations when considering customer expectations as part of marketing efforts, without balancing this with development of staff and systems to enhance what the organisation can offer. This model clearly identifies other important factors that have an impact on service quality success, such as effectiveness of the service delivery system.

Figure 2.8 Behavioural Service Quality Model
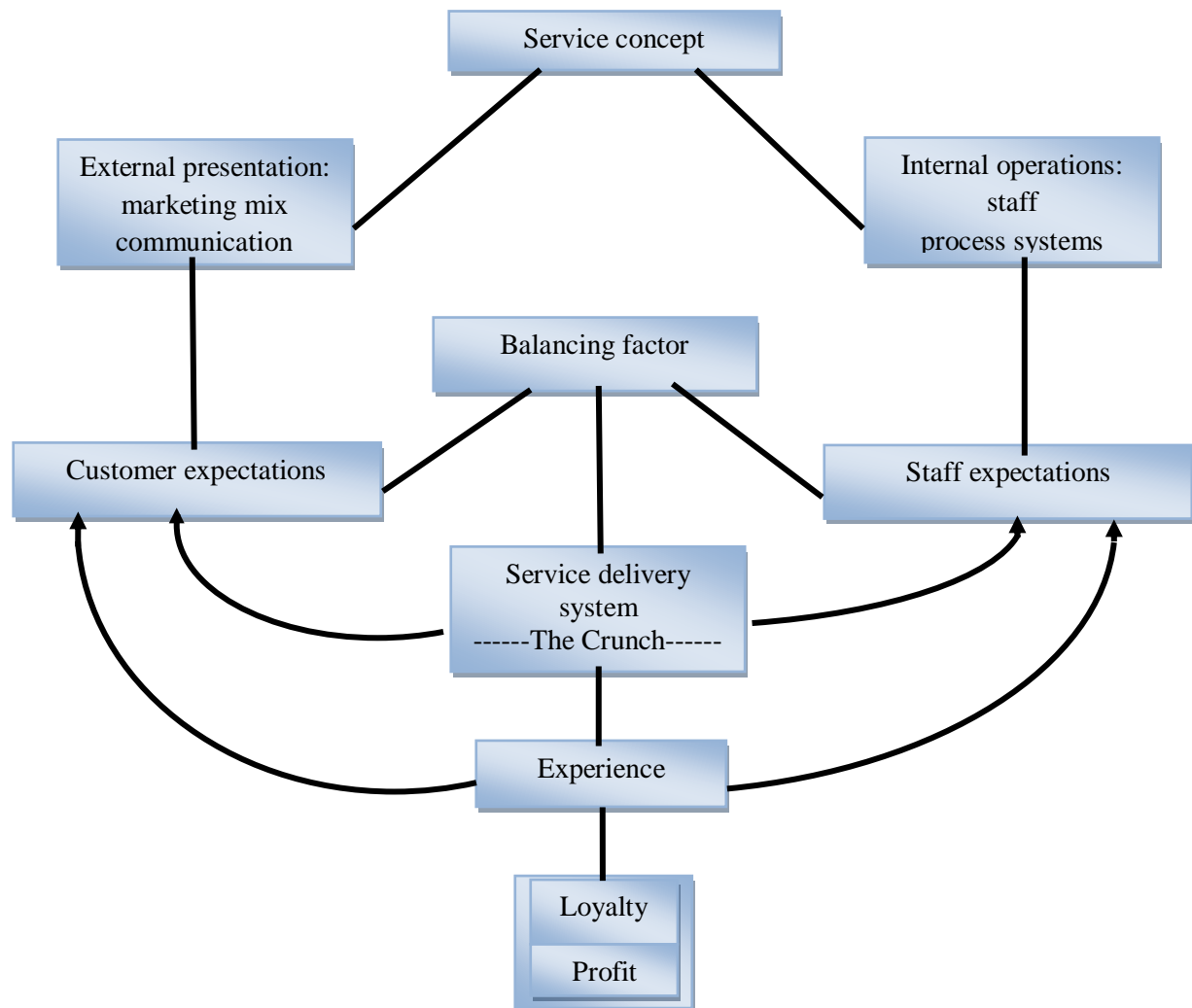
Source: Beddowes *et al*. (1987, p. 62)

Moore (1987) also suggested a model that includes six steps, as shown in Figure 2.9. The model is descriptive and introduces a route map of how to launch a 'quality' drive. Accordingly, its focus is external but it does not clearly link quality problems to losing the appropriate market focus. It can also be noted that the model does not supply a mechanism for the purpose of identifying potential areas where quality shortfall might arise. The key components of this model are steps 2, 3 and 4. Step 4, 'quality action plan', is the key output

of it. It can be seen that a plan will ideally include: (a) an objective statement; (b) a description of the proposed improvement; (c) an order of priority; (d) an implementation schedule; and (e) a list of required resources. Both internal and external customer satisfaction should be measured by this proposed monitoring system. It can be added that this model has the ability to provide a framework for addressing broad organisational quality issues.

Figure 2.9 Organisational Service Quality Improvement Model

| Identify quality problems Provide staff and financial resources Integrate quality improvement with other corporate programmes Emphasize importance of quality improvement efforts | | Define external and internal customers Identify expectations | | Assess magnitude of quality problems Identify causes of low quality and estimate cost of low service quality |

Step 1 Obtain management commitment → *Step 2* Identify customer expectations → *Step 3* Evaluate performance

Step 6 Monitor performance ← *Step 5* Implement strategy ← *Step 4* Develop quality strategies

| Assess effectiveness of quality improvement Revise standards and plans, and identify changes in customers | Change culture Improve performance Reduce costs | Commitment statement Quality objectives Quality standards Quality action plans Monitoring systems |

Source: Moore (1987, p. 58)

It is generally recognised that customers assess the service they receive. Their expectations are also important to determine whether they are satisfied or not. Accordingly, the question will come to mind as to how expectations affect service quality. Nash (1988) suggested a model based on the 'service journey' idea. This model is depicted in Figure 2.10, which shows the typical stages of a 'service journey'.

Figure 2.10 Service Quality Journey Model

Source: Nash (1988, p. 61)

The experience and expectations shaped prior to purchase help to form the expectations of the next stage, and the 'service journey' is initiated by 'need'. If there is a match between

customers' needs and the perceived service 'offering', the purchase will occur. The precise communication and reputation affect customers' selection of a service provider. Prior communication and promotion also have a significant impact on perceptions of the 'participating', 'leaving' and reflecting phases of the service journey.

Haywood-Farmer (1988) presented the concept that a service organisation can achieve high quality if it meets customer expectations and preferences consistently. The key factor in achieving high quality is the identification of customers' expectations and requirements. He proposed the model which is depicted in Figure 2.11. This model includes three basic attributes: (a) physical facilities, processes and procedures; (b) people behaviour and conviviality; and (c) professional judgement. Furthermore, each attribute consists of several factors. In this model, each set of attributes shapes an angle of the triangle shown in the figure. The role of management is to diagnose where the organisation is to be found in the nexus. This is ultimately accepted because it will enable them to produce a service with elements that are internally consistent and directed to meet the target market. The implication for this is deciding the appropriate position of the service by considering three 'operational' factors, namely: (a) the degree of service customization; (b) the degree of labour intensity; and (c) the degree of contact and interaction. On one hand, this model is helpful for identifying quality trade-offs and the relation between 'operational' and 'quality' factors, but on the other hand this model does not offer a practical procedure to help management identify the practical efforts of service quality improvements.

Figure 2.11 Model of Service Quality Trade-off Continuum

Professional
judgement

Physical
process

People
behaviour

Physical facilities, processes and procedures:
Location, layout
Size, decor
Facility reliability
Process flow, capacity balance, control of flow
Process flexibility
Timeliness, speed
Range of service offered
Communication

People behaviour and conviviality:
Timeliness, speed
communications (verbal, non-verbal)
warmth, friendliness, tact, attitude, tone
of voice, dress, neatness, politeness
attentiveness, anticipation
handling complaints, solving problems

Professional judgement:
Diagnosis
advice, guidance, innovation
honesty, confidentiality
flexibility, discretion
knowledge, skill

Key:

1. Short contact/interaction intensity – low customization, for example, utilities
2. Medium contact/interaction – low customization, for example, theme parks
3. High contact/interaction intensity – low customization, for example, education
4. Low contact/interaction intensity – high customization, for example stockbroking
5. High contact/interaction intensity – high customization, for example, medical or design services

Source: Haywood-Farmer (1988, p. 60)

Figure 2.12 Multistage Model of Service Quality and Value
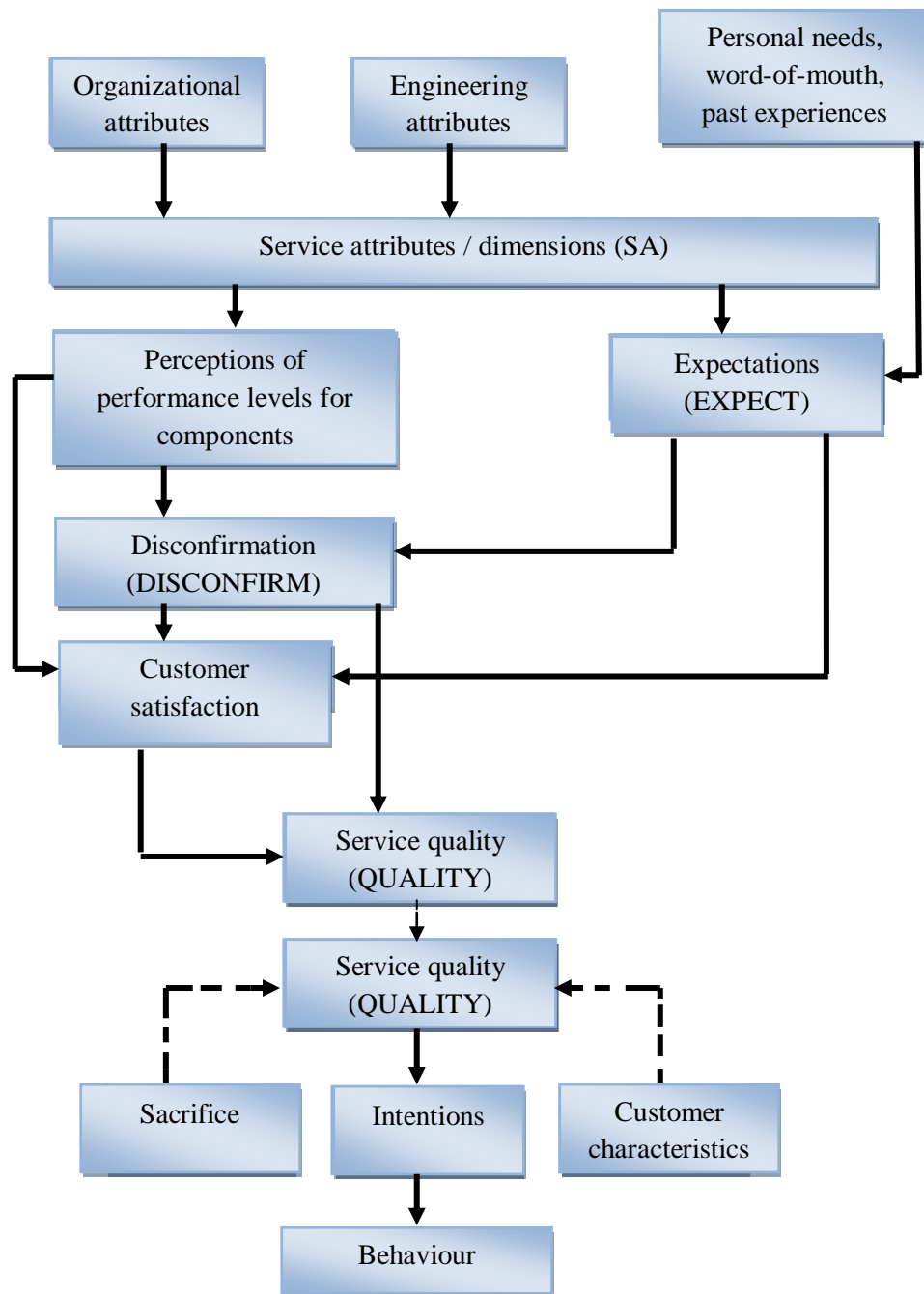
Source: Bolton and Drew (1991, p. 376)

The multistage model of service quality and value shown in Figure 2.12 suggests that personal needs, word-of-mouth, communication and past experiences influence customer expectations (Bolton and Drew, 1991). The model also illustrates that organizational attributes and engineering attributes have an impact on service quality dimensions, which

naturally influence performance perceptions. Additionally, it can be noted from this model that disconfirmation, expectations and actual performance level influence customer satisfaction, which in turn affects customers' perceptions of service quality. This conceptualization also realizes that customers' perceptions of service quality are directly affected by disconfirmation and indirectly affected by disconfirmation, expectation and actual performance levels. However, the determinants of service quality perceptions are not mentioned in this model, but presumably they are affected by attributes of the service delivery process.

Spreng and Mackoy (1996) have modified Oliver's Service Quality Model shown in Figure 2.13 below. The modified model concludes the following:

- Service quality is not directly affected by disconfirmation of expectations, which means that the effect of expectation is indirect.
- This indirect effect of expectation on perceived service quality is positive.
- Conversely, desires have a negative effect on perceived service quality.
- There is no link between desires and perceived service quality

These results were found earlier by Boulding *et al.* (1993), who mention that desires and expectations have opposite effects on perceived service quality.

Figure 2.13 Oliver's Service Quality Model
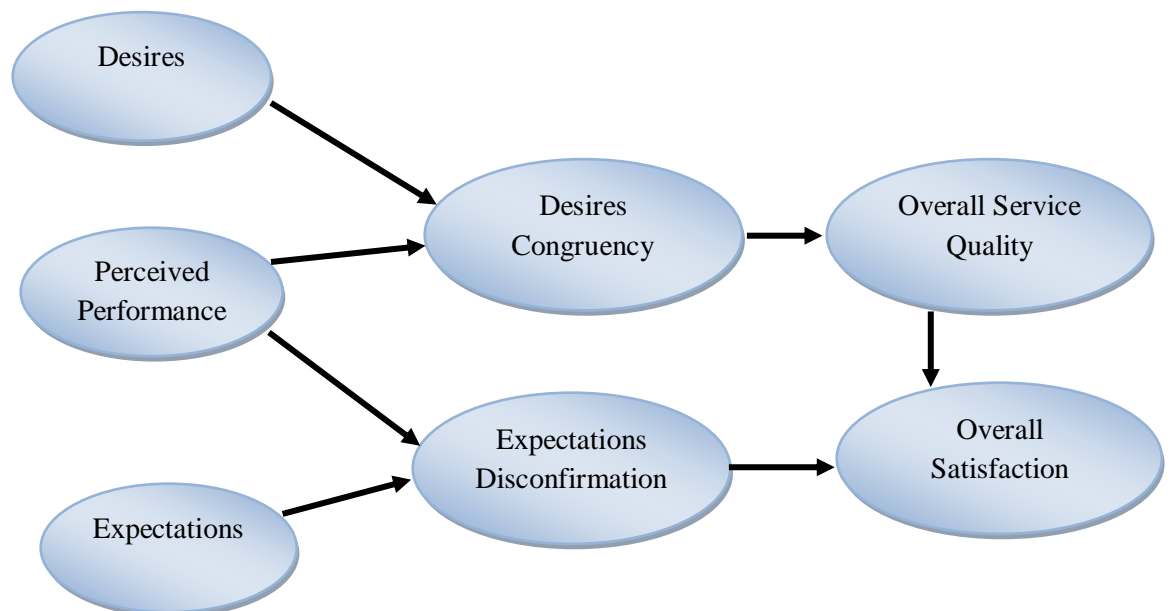
Source: Spreng and Mackoy (1996, p. 203)

The Service Quality-Profit Chain Model shown in Figure 2.14 supports the link between improvements in service quality and improvements in financial performance. As mentioned earlier in this chapter, there is a strong correlation between service quality and financial performance. Paraskevas (2001) points out that high profitability can be achieved by a group of employees who apply service quality internally and deliver the resultant service to external customers.

Figure 2.14 Service Quality-Profit Chain Model
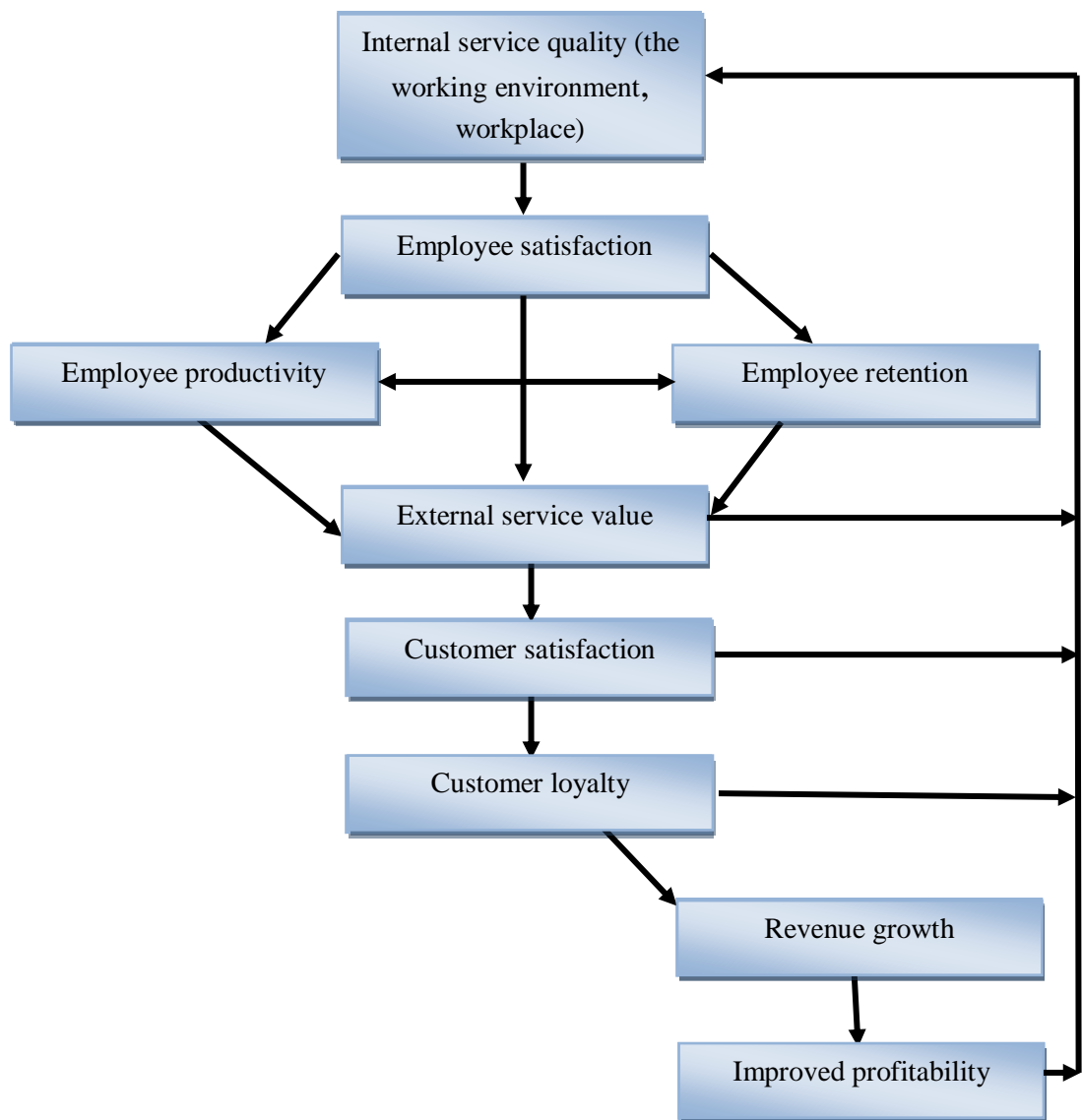
Source: Heskett, Sasser and Schlesinger (1997, p. 166)

This model presumes that the implementation of internal service quality (in the workplace) leads to employee satisfaction. Furthermore, employee satisfaction in turn increases

employee productivity and retention. All of those attributes are reflected positively in external service value. Within this model, high service value leads to customer satisfaction and loyalty, which in turn results in revenue and profitability growth. Eventually, the resultant improvements have a positive impact on internal service quality. This has led to the idea that passing these attributes together between the internal (workplace) and external (the customer) environment will form a service-profit chain.

The aforementioned models of service quality can be employed by management in service organizations to improve service quality performance. Eight models have been presented in this section, each with a different focus. Table 2.5 shows the primary focus of each model.

Table 2.5 Primary Focus of Service Quality Models

Model	Primary focus of the model
Service Quality Dimensions Parasuraman, Zeithaml and Berry (1985)	This model shows service quality dimensions and their relation to expected and perceived service. It also shows the factors that influence customer expectations.
Behavioural Service Quality Beddowes *et al.* (1987)	This model proves the significance of the influence of behaviour of delivery personnel on perceived quality. It also suggests that a balance between customer and staff expectations leads to a good quality of service. Furthermore, the model provides an overview of the importance of the delivery system.
Organizational Service Quality Improvement Moore (1987)	This model provides a framework for applying a quality improvement programme. It also shows the steps involved in a quality improvement programme and the pertinent factors of each step.
Service Quality Journey Nash (1988)	This model provides the stages of the service journey. Furthermore, it shows the impact of experience at each stage on shaping the expectations and perception of service quality.
Service Quality Trade-off Continuum Haywood-Farmer (1988)	This model identifies quality trade-offs using three service attributes, namely: (a) degree of customization; (b) degree of labour intensity; (c) degree of contact and interaction.
Multistage Model of Service Quality and Value Bolton and Drew (1991)	This model supports the view that customer expectations are influenced by personal needs, word-of-mouth, and past experience. It also illustrates that organizational attributes and engineering attributes influence service quality dimensions, which in turn influence perceptions of performance.
Oliver's Service Quality Model Spreng and Mackoy (1996)	This model suggests that customer expectations have an indirect effect on service quality. Furthermore, it also proposes that desires have a negative effect on perceived service quality.
Service Quality-Profit Chain Heskett, Sasser, Schlesinger (1997)	This model supports the correlation between improvements in service quality and improvements in financial performance.

These models have been discussed according to their chronological order. By reviewing these models it has been found that there are some similarities between them in terms of the areas they focus on. Table 2.6 presents these similarities.

Table 2.6 Similarities in the Focus of the Service Quality Models

Model name	Source	Model focuses on service quality improvements	Model focuses on service quality importance	Model focuses on factors influencing service quality
1. Service Quality Dimensions	Parasuraman *et al.* (1985)			✓
2. Behavioural Service Quality	Beddowes *et al.* (1987)			✓
3. Organizational Service Quality Improvement	Moor (1987)	✓		
4. Service Quality Journey	Nash (1988)			✓
5. Service Quality Trade-offs	Haywood-Farmer (1988)			✓
6. Multistage Service Quality and Value	Bolton & Drew (1991)			✓
7. Oliver's Service Quality	Spreng & Mackoy (1996)			✓
8. Service Quality-Profit Chain	Heskett *et al.* (1997)		✓	

The table above shows that six models out of eight focus on factors that influence service quality. One model focuses on service quality improvements and the remaining model focuses on importance of service quality.

Martinez and Martinez (2010) have recently classified service quality models and argue that it is important to clarify the difference between reflective measurement and formative measurement. Bagozzi and Edwards (2000, p. 155) define reflective measurement as "constructs usually viewed as causes of measures, meaning that variation in a construct leads to a variation in its measures" construct, according to Bagozzi (2007), is a conceptual term. To clarify this, Diamantopoulos and Siguaw (2006, p.263) explains that reflective

measurement is "latent variables which are measured using reflective (effect) indicators....indicators are seen as functions of the latent variable, whereby changes in the latent variable are reflected in changes in the observable indicators". Service quality construct as a reflective model means that the service quality construct is reflected by its dimensions. This means that changes in the service quality constructs lead to changes in dimensions, and changes in dimensions lead to changes in sub-dimensions. In contrast, formative models are "measures that are viewed as causes of constructs", which means that the "the construct is formed or induced by its measures" (Bagozzi and Edwards, 2000, p.155). Diamantopoulos and Siguaw (2006, p.263) explain formative measurement by stating that it is "changes in the indicators that determine changes in the value of the latent variable". Service quality construct as a formative measurement means that changes in dimensions lead to changes in service quality construct.

Based on Martinez and Martinez's (2010) view, the service quality models have been classified into three main models to help conceptualize service quality:

1. The multidimensional reflective model - the best example of this type of model is the retail service quality scale developed by Dabholkar, Thorpe and Rentz (1996). These models are multidimensional and multi-level (Hierarchal) models, which means that variation in the service quality construct leads to variation in the dimensions, and variations in the dimensions leads to variations in the sub-dimensions.

2. The multidimensional formative model - the SERVQUAL, SERVPERF and Nordic models are examples of this type of model. These models are multidimensional models which propose that variations in the dimensions leads to variations in the service quality construct, which is the opposite of reflective models. These models conceptualize service quality as being shaped based on its dimension; this is different to the multidimensional reflective models, which conceptualize service quality as defined by its dimensions.

3. The multidimensional formative-reflective model: the Brady and Cronin (2001) hierarchical model is the best example of this type of model. These models are a combination of formative and reflective models. They are similar to formative models in that they conceptualize service quality as formed by their dimensions and are similar to reflective models in that dimensions are reflected by their sub-dimensions.

In summary, service quality models are useful for a number of reasons. First, they give an overview of factors that influence the quality of service of a firm and its offerings. Second,

they help management to understand issues related to the service quality construct. Third, they facilitate how service quality shortfalls develop. Finally, they help to apply improvement programmes. On the other hand, it is also important to look at the limitations of models. Models are usually invariably simplified versions of reality. The basic role of the model is to show simply relationships between complex phenomena (Ghobadian, Speller and Jones, 1994). Therefore, it can be noted from the models presented in this section that they deal with social phenomena. Indeed, service quality can be affected significantly by human behaviour. Additionally, these models cannot sufficiently manage every complexity that an organisation may face. However, it has been found that early service quality models have the power to build the service quality concept. This is evident from such models focussing on areas of service quality in terms of dimensions, importance, factors that influence it, and how it can be improved. In other words, these models effectively contribute to the circle of the service quality concept. For instance, it is recognised that service quality itself means meeting or exceeding customer needs and requirements; but without knowing the value of it and the factors which may affect it, the concept is still indecisive.

2.6 The Importance of Service Quality

Generally, the importance of service quality is undeniable in that good service quality impacts positively on business performance. Delivering a good level of service to customers is essential for achieving success and surviving in the competitive world (Wang, Lo and Hui, 2003). Furthermore, providing high quality of services and products enhances the reputation of the firm, attracts new customers through word-of-mouth, and increases profitability (Julian and Ramaseshan, 1994). Service quality is recognised as a key strategic issue for organisations operating in service sectors (Lewis and Mitchell, 1990; Spathis, Petridou and Glaveli, 2004). Organisations achieving a higher level of service quality have high levels of customer satisfaction, which is an antecedent of sustainable competitive advantage (Lewis and Mitchell, 1990; Meuter *et al.,* 2000; Guo, Duff and Hair, 2008). Moreover, studies undertaken by researchers in the field indicate that having a service quality strategy has a strong correlation with financial performance, manufacturing costs, customer loyalty, customer retention, word-of-mouth referral, price insensitivity, sales growth, responsiveness to demand, a successful marketing strategy, development of an organisation's strategy, having better understanding of the customer, matching service delivery with expectations of the customer, providing strong customer orientation, and enhancing IT capability (Parasuraman, Zeithaml and Berry, 1985; Ravald and Gronroos, 1996; Turubull and Moustakatos, 1996; Chaston, 2000; Jabnoun and Al-Tamimi, 2003; Wang, Lo and Hui*,* 2003; Bell, Auh and Smalley, 2005; Petridou *et al.,* 2007; Zhu and Nakata, 2007; Parnell and Menefee, 2007; Scotti, Harmon and Behson, 2007).

A review of work focusing on service quality shows the importance of this concept in extracting or maximising value from customers. Therefore, there is clarity in the concept of service quality linked to the management of customer relationships, and the value that this brings to organisations. In accordance with existing literature (Cronin and Taylor, 1992; Cronin, Brady and Hult, 2000; Norreklit, 2000; Rao and Kelkar, 1997; Zhu and Nakata, 2007; Metters and Marucheck, 2007; Stading and Altay, 2007), several factors will be presented to highlight the importance of service quality. They can be considered as the critical foundation of best practice in service quality in organisations:

1. Achieving customer satisfaction
2. Achieving customer loyalty and retention
3. Enhancing financial performance
4. Ensuring the success of the marketing strategy
5. Ensuring service interaction is well-developed
6. Focusing on 'easily doing business' with customers
7. Enhancing IT capability to improve customer orientation

2.6.1 Achieving customer satisfaction

Customer satisfaction is the measure of product or service quality. For example, if service quality meets customer expectations and needs, then customer satisfaction will be achieved (Gatchalian, 1999; Oliver, 1980). If it does not then customer satisfaction will not be achieved (de Wulf, 2003). It is not surprising that unsatisfied customers are often the cause of negative word-of-mouth communication as they report negative impressions to other customers (Lewis, 1991; Newman, 2001; Caruana, 2002). Positive and negative word-of-mouth communication is very important, especially in Arabic countries such as Libya where social life and culture are structured in such a way that social relationships among people are very strong.

Numerous researchers have identified customer satisfaction as a task of function in which the consumer accesses service quality, product quality and price, while others see customer satisfaction as the outcome when a customer comes back but the product does not (Obaid, 2006). Furthermore, Lee, Lee and Yoo (2000) describe customer satisfaction as an emotional reaction of a customer after accessing a service or product. It has also been described by Cronin and Taylor (1992) as "transaction-specific". Customer satisfaction is the only relevant objective for ensuring stable and continuously increasing business in an organisation (Goetsch and Stanley, 1997). Similarly, Palmer (1994) argues that customer satisfaction is more important than quality in influencing purchasing intention. On the other hand, in an empirical study by Cronin and Taylor (1994), they tried to clarify the difference between

service quality and customer satisfaction by stating that the former is about long-term attributes while the latter is a transitory judgement of service quality.

Within service literature it is argued that there is a strong correlation between service quality and customer satisfaction (Cronin and Taylor, 1992; Taylor and Baker, 1994; Zeithaml and Bitner, 1996). More precisely, some researchers and academics have mentioned that customer satisfaction is an antecedent of service quality (Parasuraman, Zeithaml and Berry, 1985, 1988, 1994; Parasuraman and Berry, 1991; Bitner, 1990; Carman, 1990). Alternatively, other researchers indicate that service quality is an antecedent of customer satisfaction (Bolton and Drew, 1991; Anderson and Sullivan, 1993; Cronin and Taylor, 1992, 1994), and that service quality is not equivalent to satisfaction (Oliver, 1980). However, empirical studies carried out by Fisk, Brown and Bitner (1993) and Levesque and McDongall (1996) support the view that service quality dimensions are important in determining customer satisfaction. For example, a study by Levesque and McDongall (1996) shows that the performance of a service provider in relation to the core dimensions of service quality is a vital driver for customer satisfaction. Other researchers have focused on this link, suggesting that enhanced service quality impacts positively on customer satisfaction (Bitner, Booms and Mohr, 1994; Anderson, Fornell and Lehmann, 1994).

In recent years, the relationship between service quality and customer satisfaction has been examined in the banking sectors of various countries. For example, Amin and Isa (2008, p. 205) indicate in their study that "service quality is positively associated with customer satisfaction in Malaysian Islamic banking". Similarly, research carried out in the retail banking sector in the UAE supports the view that service quality dimensions appear to be associated with customer satisfaction (Jamal and Naser, 2002). This has been further supported by Othman and Owen (2001), who mention that there is a significant relationship between service quality and customer satisfaction in Islamic banking in Kuwait. Moreover, Karatape, Yavas and Babakus (2005) state that service quality appears to have the strongest effect on satisfaction, adding that customer satisfaction is a mediator between service quality and purchase intention in conventional banking. In addition, Arasly, Katircioglu and Mehtap-Smadi (2005) point out that service quality is a vital predictor of customer satisfaction in Turkey's banking industry.

In reality, the relationship between service quality and customer satisfaction is still subject to great academic debate. For example, Bahia and Nantel (2000) point out that no consensus has been reached regarding the causal relationship between service quality and customer satisfaction. However, literature clearly suggests that applying high levels of service quality leads to higher levels of customer satisfaction. It would also appear that a satisfied customer makes an intention to repurchase and engages in word-of-mouth referring, which in turn will

increase profit, while having dissatisfied customers leads to poor marketing and turnover ratio.

2.6.2 Achieving customer loyalty and retention

Customer loyalty, with its final influence on repurchasing, is perhaps the most important construct in services marketing. Customer loyalty has been conceptualized as the probability of repeat purchase to the proportion of purchase (Dick and Basu, 1994). It has also been defined by Oliver (1997, p. 392) as "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour".

Service literature has supported the view that there is a correlation between service quality and customer loyalty (e.g. Boulding *et al.,* 1993; Cronin, Brady and Hult*,* 2000; Zeithaml, Berry and Parasuraman*,* 1996). Kurtz and Clow (1998) prove this relationship when they mention that customers who accept the quality of service they receive will be the most loyal and the least willing to switch to a new service provider. More precisely, an empirical study by Bell, Auh and Smalley (2005) found that the main effect of technical service quality on customer loyalty was stronger than the effect of functional service quality.

Many researchers have investigated the topic of customer loyalty and its relation to service quality and customer satisfaction in depth. Oliver (1997), for example, has suggested the Four-Stage Loyalty Model shown in Figure 2.15. Each stage represents a greater degree of loyalty. The first stage proposed by this model is 'cognitive loyalty', indicating that customers may continue to patronize one store rather than other stores because of the better service provided.

Figure 2.15 Oliver's Four-Stage Loyalty Model
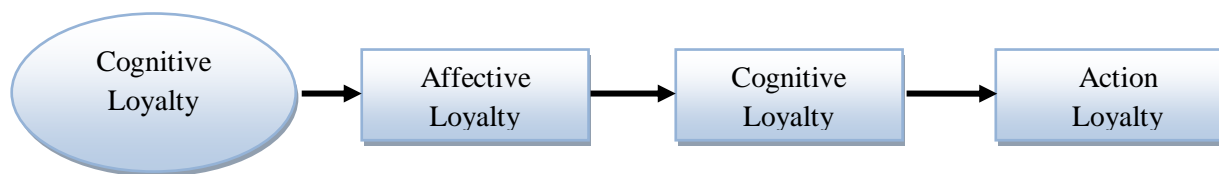
Source: Oliver (1997, p. 394)

Continuing in the same context, Sivadas and Baker-Prewitt (2000) have examined the applicability of Oliver's model in the store loyalty context. Their findings indicate that service quality, satisfaction, and fostering a favourable relative attitude have a positive

impact on the probability of customers recommending the store to others, which leads to an increase in repurchase intentions which in turn fosters store loyalty. More recently, the findings of a study by Caruana (2002, p. 28) provide a similar view but with a slight extension, confirming that "service quality is found to act on service loyalty via customer satisfaction". In other words, the research of Caruana supports the view that customer satisfaction performs a mediating role in the link between service quality and service loyalty. Accordingly, the concepts of service quality, customer satisfaction, and service loyalty are interrelated other. Indeed, loyal customers who repeat purchase and recommend others to purchase can positively affect any business.

In a different context, customer retention is about the long-term maintenance of service relationships between the customer and the service provider. Customer retention through a company's products or services is often seen as one of the key factors that leads to a company's success. The link between service quality and customer retention, whether via a direct relationship or via customer satisfaction, has been typically formulated by marketing practitioners and scholars, especially in the area of building relationships between firms and customers (e.g., Naumann and Giel, 1995; Engel, Blackwell and Miniard, 1993; Woodruff, 1993; Henning-Thurau and Klee, 1997; Kurtz and Clow, 1998). In this regard, "service quality is indeed an important driver of customer retention" (Ranaweera and Neely, 2003, p. 244). Furthermore, it has been recognised that improved service quality enhances customers' willingness to buy again, to buy other services, to buy more, to become less price sensitive, and to tell others about their positive experience (Anderson, Fornell and Lehmann, 1994; Bolton, Kannan and Bramlett, 2000; Venetis and Ghauri, 2004; Rust, Zahorik and Keiningham, 1995). A model proposed by Hennig-Turan and Klee (1997) suggests that the relationship between satisfaction and customer retention is moderated by service quality. In turn, both service quality and customer satisfaction are vital in encouraging buyers to develop an intention to purchase in the future (Palmer, 2008). This was proved earlier by the most comprehensive study in the field carried out by Zeithaml, Berry and Parasuraman (1996). The study supports the view that service quality impacts on different intentions, such as doing more business, the inclination to buy more, and recommending others to buy. The same view has been expressed in a study by Venetis and Ghauri (2004), who focused on the contribution of service quality to customer retention. They found that service quality contributes very strongly to the maintenance of long-term customer relationships. Similarly, Ranaweera and Neely (2003) conclude in their study that service quality perception is the strongest driver of customer retention.

It can be noted, therefore, that service quality is strongly linked with customer retention, which reflects its importance in developing customer willingness to maintain a relationship with a service provider, which in turn contributes to the success of the business.

2.6.3 Enhancing financial performance

Customer service quality and its measurement is an extensively documented field. It is clearly important to explore the correlation between service quality and financial performance in literature. It is widely argued that there is a positive relationship between service quality and profitability via customer loyalty, satisfaction and referrals (Heskett and Schlesinger, 1994; Zahoric and Rust, 1992; Rust, Zahorik and Keiningham, 1995). Perhaps the most important study in this area is the widely known 'service profit chain' of Heskett and Schlesinger (1994). This study developed a model that links internal service quality to external service quality, customer satisfaction, employee satisfaction, productivity, customer loyalty and retention, revenue growth, and profitability. This model was recently adopted in the study of Duncan and Elliot (2004), who examined the link between service quality, financial performance, and efficiency. The study supported the positive relationship between service quality and financial performance, whereas the positive relationship between efficiency and financial performance, and the positive relationship between service quality and efficiency were rejected. These results provide empirical evidence of the positive relationship between service quality and financial performance, a fact which has also been proved by Parasuraman (2002).

The positive relationship between customer satisfaction/service quality and financial performance measures has also been reported within accounting literature (Kaplan and Norton, 1996; Ittner and Larcer, 1998; Norreklit, 2000; Banker, Potter and Srinivasan, 2000). However, in the banking context, it has been argued that service quality is a factor that positively influences financial performance, as measured by profitability (Soteriou and Zenious, 1998; Cuganesan, Bradley and Booth, 1997; Duncan and Elliot, 2004).

In summary, the positive relationship between customer service quality and financial performance has been supported in literature by academics and scholars in the areas of services, marketing, and accounting. This proves that service quality value is one of the most significant factors leading to business success.

2.6.4 Ensuring the success of marketing strategy

Organisations that continually apply high levels of service quality have been shown to be more successful in their marketing strategies. In this respect, Rao and Kelkar (1997) have mentioned that success in customer retention, as well as in cross-selling products and services to customers, can be achieved by applying good levels of service quality. In other research, it has been shown that service quality strongly impacts on customer satisfaction (Taylor and Baker, 1994; Fornell, 1992), and that satisfaction, in turn, positively affects the salesperson's relationship orientation (Tam and Wong, 2001). More specifically, Wong,

Rexha and Phau (2008) have found that highly perceived service quality within traditional bank services ensures more successful cross-selling of e-banking products.

The value of branding in developing an effective marketing strategy has been well documented in business literature (Low and Lamb, 2000; Keller, 2003; Gladden and Funk, 2002). In this regard, Alexandris, Papadopoulos and Kaltsatou (2008) support the link between service quality and brand associations, as well as the role of service quality in developing appropriate strategies for building brand names, which helps marketers to effectively build their brand.

Literature strongly supports the view that service quality can assist in the clear development of marketing strategies. The link between service quality and marketing strategy has been emphasized by many researchers, which justifies why service organisation managers use service quality to achieve a competitive advantage over their competitors.

2.6.5 Enhancing IT capability to improve customer orientation

A study by Zhu and Nakata (2007) argues that customer orientation, driven by service quality, impacts significantly, albeit indirectly, on business performance. Furthermore, the study argues that the relationship between customer orientation and business performance can be positively influenced by IT capability.

The impact of IT capability on customer orientation is the result of enhanced service quality driven by IT changes. For instance, improved IT capability would likely lead to increased automation and better connectivity. This would then lead to the facilitation of customer related activities such as the sharing of customer knowledge within the organisation, gathering customer information, analysing customer information and behaviour, making decisions and planning customer initiatives.

2.6.6 Ensuring service interaction is well-developed

As mentioned earlier, there is a clear correlation between service quality, customer satisfaction, and strong financial performance (Metters and Marucheck, 2007; Heskett and Schlesinger, 1994; Zahoric and Rust, 1992; Rust, Zahorik and Keiningham, 1995). It is recognised that customer satisfaction is the result of service quality, which is driven in large part by customer perceptions and expectations of an organisation's service interaction with its customers. This clearly suggests that service interaction is pivotal in the opinions of customers about organisations, which in turn leads to the issue of the need for service interaction to be developed.

In other research, it has been found that service interaction, when it is analysed, can be defined as a group of activities designed to meet customer needs and requirements through

providing some sort of experience. It can also be noted that some of these activities seem naturally simple, but their impact is vital in generating positive service interaction. Examples include orchestrating surprises in interactions, engaging customers for a personal experience, and implementing high variability in interactions (Elmayar, 2007).

2.6.7 Focusing on 'easily doing business' with customers

It is argued that numerous themes should be employed in the processes of improving service quality so as to deliver better business performance. More importantly, a vital factor in achieving excellent service quality is the 'ease of doing business' between an organisation and its customers. It has been found in the research of Stading and Altay (2007) that improved business performance with customers is the result of customers easily being able to deal with an organisation. This clearly suggests that the ease with which customers deal with employees in an organisation demonstrates the attributes which need to be enhanced and extended so as to improve business with customers.

The concept of 'ease of doing business' was discussed earlier in the research such as Parasuraman, Zeithaml and Berry (1985, 1988). From a customer's perspective, this concept can be considered as a measure of customers' opinions and beliefs about a service, which is a large part of the overall customer service measure. From an organisation's perspective, 'ease of doing business' is associated with customer relationship management, as it defines the management of the overall customer interaction. For instance, in a survey questionnaire, such as the SERVQUAL instrument developed by Parasuraman, Zeithaml and Berry (1988), this issue can be measured through a number of statements.

In summary, different themes have been presented in this section which reflects the importance of service quality. Management service and marketing literature arguably support the view that service quality is vital in different areas, such as achieving customer satisfaction, achieving customer loyalty and retention, enhancing financial performance, ensuring the success of a marketing strategy, ensuring service interaction is well-developed, focusing on 'easily doing business' with customers, and enhancing IT capability to improve customer orientation. This clearly explains why service organisations use service quality to achieve a competitive advantage.

2.7 Perceived Service Quality Improvement

A critical input of the SERVQUAL instrument (Parasuraman, Zeithaml and Berry, 1988), as well as modified SERVQUAL instruments (Othman and Owen, 2001; Jabnoun and Al-Tamimi, 2003; Jabnoun and Khalifa, 2005), is customer perceptions of service quality levels of an organisation. Once the organisation acts on potential opportunities for improvement, it can be expected that customer service quality levels will improve. However, translation of

this improvement into better levels of service quality as perceived by customers must be implemented, in order to to satisfy customers. This will be the case if customers' expectations are indeed fulfilled and changes are apparent and meet customers' desires. However, if the changes of the organisation are superficial and do not effectively improve service quality levels, then customers will not have the perception of service quality improvement and further tests utilising the SERVQUAL or modified SERVQUAL instruments will show similar or even worse ratings than when first measured.

In a different context, service quality improvement can be seen from both customer and organisation perspectives. In this respect, it is recognised that "the perceived service quality improvement can be taken from the viewpoints of both the customer and the organisation" (Elmayar, 2007, p. 18). Support for this view is found in the earlier work of Ghobadian (1993), who mentions that the key ingredients of service quality improvements are:

1. Market and customer focus;
2. Motivated and well-trained frontline staff;
3. A well designed process;
4. Development of responsibility and authority to front line staff;
5. A clear definition of quality;
6. Effective external communications; and
7. Service quality measurement.

From reviewing literature regarding this topic (Parasuraman, Zeithaml and Berry, 1985, 1988, 1994; Lee *et al.,* 2004; Berry, Parasuraman and Zeithaml, 1994; Edvardsson, 1998; Armistead and Clark, 1992; Martin, 1993), it has been found that the following factors are important for ensuring the perception of service quality improvement comes to fruition:

1. Regular measurement of service quality levels
2. Investment in service quality processes and systems
3. Empowering employees to implement a high level of service quality

2.7.1   Regular measurement of service quality

The SERVQUAL scale developed by Parasuraman, Zeithaml and Berry (1985, 1988) is frequently used to determine service quality levels. It dominates service quality improvement because of its superior diagnostic ability (Parasuraman, Zeithaml and Berry, 1994). Connected to this concept, a study by Lee *et al.* (2004) reached a similar conclusion with little extension. It was carried out using the fast-food industry as a case study. The research proposes that competitive service quality levels be considered to improve service quality levels measured by the SERVQUAL instrument, with a ratio score scale. Competitive service quality is analysed by customer assessment, relative to each service attribute. Then a

ratio score is calculated to determine which attributes are improved and which attributes need to be improved. Measuring service quality levels to identify areas of weakness has been supported by others, such as Beach and Burns (1995) who focused on developing procedures to help managers identify potential areas requiring change within organisational services. These procedures include measuring customer satisfaction with services offered and the perception of services in comparison to competitors' offerings. By doing so, services that require change will be identified. More recently, Perng (2007) has suggested two procedures for improving service quality in the refurbishment industry. These procedures include a data base module and a user interface. The SERVQUAL instrument can first be employed to measure service quality level. Then, the second procedure is applied to assist contractors in developing optimal strategy and evaluating required resources to identify improvements needed.

Use of a modified SERVQUAL instrument to measure service quality so as to identify poor services has also been supported in literature. Othman and Owen (2001), for example, modified a SERVQUAL instrument to measure service quality in Kuwait Finance House (KFH). Their findings suggest that managers should be aware of religious factors to improve ways of providing services and products to customers. Continuing within the same context, Jabnoun and Al-Tamimi (2003) have also used a modified SERVQUAL instrument to measure service quality in UAE commercial banks. They point out that banks should focus more on human skills to increase overall service quality levels. Likewise, Jabnoun and Khalifa (2005) modified a service quality instrument to measure service quality levels in conventional and Islamic banks in the UAE. Their findings are similar to those of Othman and Owen (2001) and Jabnoun and Khalifa (2005), in that they state managers of Islamic banks should pay more attention to personal skills and the religious validity of their services in order to improve quality.

2.7.2   Investment in service quality processes and systems

Processes for improving service quality which organisations can carry out may take different forms. Research by Berry, Parasuraman and Zeithaml (1994) has suggested ten lessons that need to be learnt in order to improve service quality. They are as follows:

1. Listening to customers precedes action;
2. Good service recovery can overcome poor service delivery;
3. Reliability is essential;
4. Poor service quality is a system design problem, not an employee problem;
5. Customers want basic service;
6. Service excellence includes both outcomes and processes;
7. Customers expect fairness;

8. Service takes teamwork;

9. Employee feedback is vital to service improvement; and

10. Leaders should serve employees.

Likewise, Edvardsson (1998) has presented thirteen propositions, which are regarded as his attempt to develop service with built-in quality. These propositions are as follows:

1. The Managing Director should divide responsibility within the organisation;

2. Quality should be placed as a key goal for leadership and company culture;

3. The organisation should know exact customer needs;

4. Service quality improvement is everybody's responsibility within an organisation;

5. Organisations should focus on new service development and service design;

6. Organisations should improve and reengineer the service continuously to prevent mistakes from happening;

7. Organisations should recognise that quality improvement drives productivity and profitability;

8. Organisations should guarantee the service to make it more distinct;

9. Organisations should compare their services with others, as well as learn from them;

10. Organisations should manage customers' complaints effectively, as this will be a unique chance to correct quality failings;

11. Organisations should increasingly stress employee commitment and customer involvement in perceived service quality;

12. Organisations should increasingly stress the systematic measuring of service quality for customers, employees, and owners;

13. Organisations should recognise that the need for service quality improvement is based on work in the long run.

Other suggestion have been made by Zeithaml and Parasuraman (1990), who mention that organisations should focus on balancing customers' perceptions and expectations to improve service quality. In the same context, Parasuraman, Zeithaml and Berry (1985) focuss on the importance of customer expectations in improving service quality and find that organisation executives across many industries did not know about their customers' expectations, which prevented them from translating customers' needs into service design processes that would properly address those needs. Likewise, Hensel (1990) emphasizes the role of customer-based service system designs for meeting customer expectations. Similarly, after ten years the findings of a study by Allred and Addams (2000) were the same in that they indicated that knowing customer expectations was vital for improving service quality. They also suggested that organisations should develop a good system for gathering information about

customer expectations, keeping in mind that customer expectations change over time, hence information needs to be frequently updated.

Alternatively, Harvey (1998) has proposed two improvement processes for enhancing service quality, namely improving design quality and improving conformance quality, arguing that improving design quality will help service designers and service delivery processes meet customers' requirements, while improving conformance quality is linked to the processes of guaranteeing results, service recovery, mystery shopping, statistical process, customer involvement, and demonstrating service standards. In other research, public relations practice has been recognised as useful for assisting practitioners' understanding of the challenges they face as part of enhancing the quality of service (Heath, Leth and Nathan, 1994).

3.7.3 Empowering employees to implement a high level of service quality

Achieving high quality services or products is a core function of management in any company. According to Rapert and Wren (1998), it stands alongside the other eight core functions of management, which are employee satisfaction, customer satisfaction, retaining employees, financial performance, revenue growth, market share, recruitment and retaining of employees, organisation image building, and cost-effective service delivery.

More often than not, achieving quality services and products is a key target for organisations. A high level of quality can be achieved through understanding customer requirements (Parasuraman, Zeithaml and Berry, 1985, 1988), as well as top management and employee empowerment (Martin, 1993). In this respect, Armistead and Clark (1992) have proven the importance of systems, strategies and employees in achieving a high level of quality. Specifically, they state that involving and empowering employees is vital to improve quality and to create a motivational environment to get them involved in planning the standards of service they wish to offer, as well as solving related problems. Similarly, Wille (1992) has mentioned that employees' attitudes and behaviour are the main factors contributing to quality of service. He goes on to explain that correct employee behaviour should include listening carefully to customers, giving clear explanations to customers when needed, and acting promptly, while the correct personality of employees should include a good attitude, friendliness, kindness, courtesy, responsibility, looking and dressing appropriately, and having a clean and tidy environment.

Researchers have agreed that employees can contribute to improving service quality. Parasuraman, Zeithaml and Berry (1988), for example, have recognised the significant role of employees in achieving a high level of service quality. They designed the SERVQUAL instrument to measure the actual level of service quality based on five dimensions. Three dimensions out of these five dimensions are linked to employees' commitment, attitude, and

behaviour. Jabnoun and Al-Tamimi (2003) define these three service quality dimensions as follows:

1. Assurance - This dimension refers to employees' knowledge, courtesy and ability to convey trust and confidence.
2. Empathy - This dimension refers to employees' ability to provide individual attention to customers.
3. Responsiveness - This dimension refers to employees' willingness to help customers.

Even though researchers and academics have customised and modified the SERVQUAL instrument, they have not ignored the role of employees' commitment in determining the service quality level, as many have included related service quality dimensions in their developed instruments (Othman and Owen, 2001; Jabnoun and Al- Tamimi, 2003; Jabnoun and Khalifa, 2005).

Empowering employees will lead to improved organisation morale, a reduction in employees' absenteeism, an increase in productivity, and an enhancement of the overall culture of the organisation. In this regard, Parasuraman and Berry (1991) have developed the Improved Service Reliability Model shown in Figure 2.16 below. This model illustrates the potential benefits of improving a reliable service by empowering employees and providing customer care.

Figure 2.16 Improved Service Reliability Model
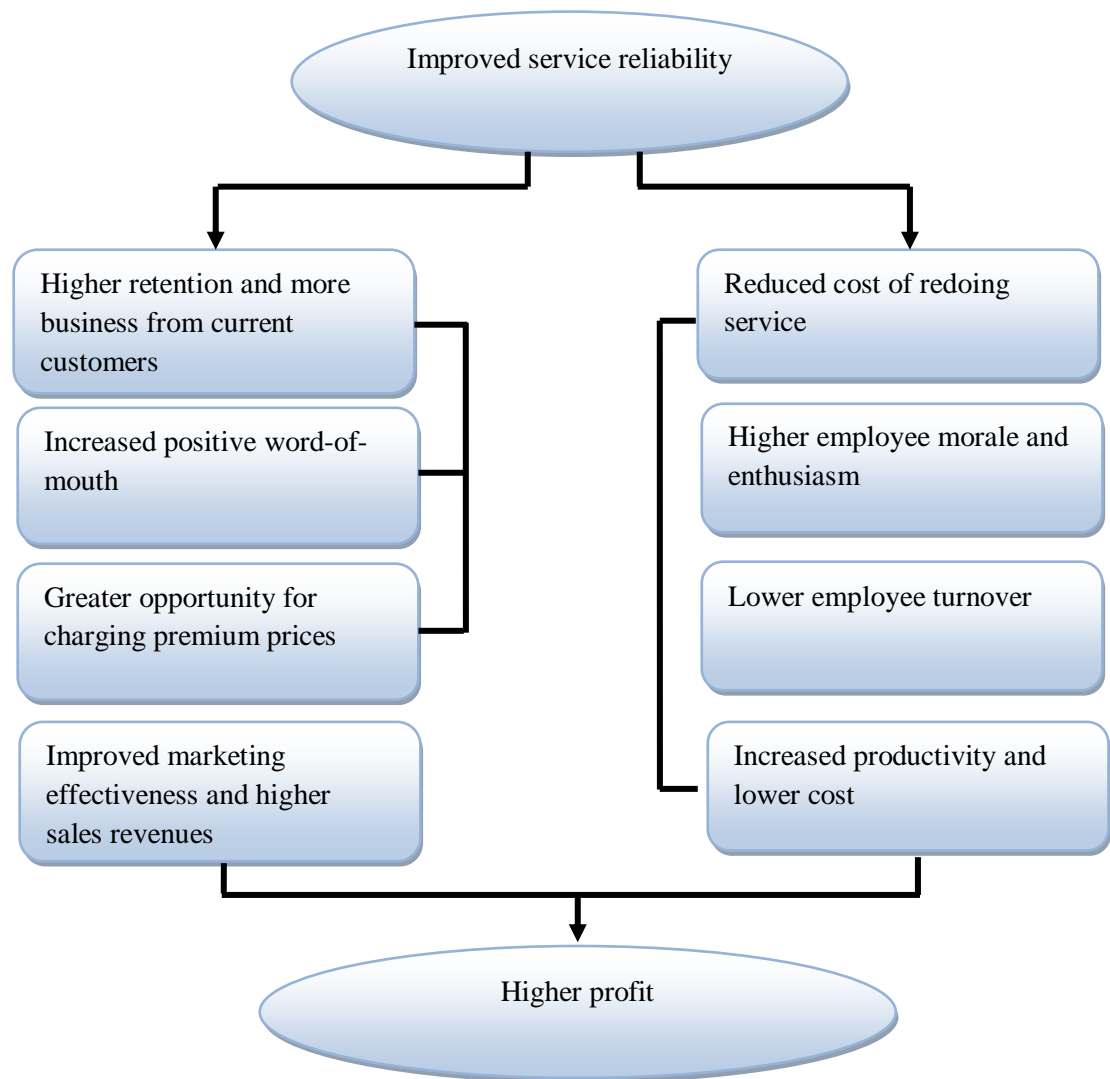
Source: Parasuraman and Berry (1991, p. 18)

2.8 Conclusion

By reviewing service marketing and operations management literature it has been revealed that service quality has received a great deal of attention from both academics and practitioners. Furthermore, it has been proven by literature that having a good quality service enables a company to satisfy customers, neutralize competition and leads the market.

In this chapter, definitions of service quality have been discussed as well as service quality perceptions and expectations. In addition, service quality models have been reviewed by

focusing on Gaps Analysis Model structure in order to understand the extent of its benefits. This chapter also concludes that there are five gaps for service quality. The first gap occurs between consumer expectations and management perceptions. The second gap exists between management perceptions of customer expectations and the organisation's service quality specification. The third gap is found between service quality specification and the actual service delivery. Referring to the fourth gap, it is between the actual service delivery and the external communications about the service. The fifth gap exists between customer expectations and his or her perceptions. Furthermore, the reasons for the occurrence of these five gaps were also discussed. In line with above, the antecedents of service quality gaps were also comprised.

Furthermore, the service quality importance and improvements have been discussed.

It is clear from what has been discussed that the service quality concept plays a major role in achieving quality in service organisations, as it considers how customer needs, requirements, and desires can be met, how customers can be satisfied, and how they should be treated. Accordingly, a quality service organisation will, on a regular basis, attempt to determine the requirements of its customers and translate these requirements into service and delivery process specifications. The next chapter focuses on how service quality is measured, as this will help to select the effective scale or instrument for the effective service quality measurement in the Libyan retail banks.

Chapter Three

Measuring Service Quality

Chapter 3: Measuring Service Quality

3.0 Introduction

In recent years researchers and practitioners have paid significant attention to the subject of service quality measurement, devoting a great deal of time and effort into the research, focusing on the development of service quality measures.

This chapter provides the fundamental basis of the study describing how service quality can be measured, particularly in the banking sector. It aims to discover the most effective tool for measuring service quality in banks. It will, therefore, explore and seek to understand the major developments in the measurement of service quality. In addition, the objective of this chapter will be to review existing literature and explore the various measuring instruments used in different service sectors. A range of studies will be analyzed in order to establish a valid and reliable instrument for measuring service quality in the banking sector.

This chapter is arranged in sections that will cover all of these aspects. The first section sheds light on service quality dimensions. The second section investigates SERVQUAL, the most widely used instrument for measuring service quality. Research related to its applicability, value, criticisms, and modifications will also be reviewed. Finally, the literature regarding the specified instruments and scales used for measuring service quality in the banking sector will be reviewed. This chapter will therefore lead the researcher towards an appropriate instrument for measuring levels of service quality in the banking sector in Libya.

3.1 Service Quality Dimensions

In the last two decades, more work and effort has been devoted to help organisations understand service quality determinants. Service quality dimensions can be considered as determinants of service quality levels. In this regard, Parasuraman, Zeithaml and Berry (1985) pointed out that customers rely on a set of criteria or dimensions to evaluate and determine the service quality of any business. In addition, based on their focus group studies with customers and service providers, ten determinants of service quality were originally identified. These are reliability, competence, responsiveness, tangibles, credibility, access, security, communication, courtesy and knowing and understanding the customer. In later research, within the same year, Berry, Zeithaml and Parasuraman *(*1985, p. 47) pointed out that "although the relative importance of the categories would vary from one service industry to the next, we believe the determinants of service quality in most (if not all) consumer service industries are included in the list".

Subsequently, these ten dimensions were consolidated into five dimensions, (assurance, responsiveness, tangibles, empathy and reliability) to develop a skeleton of the multi-item SERVQUAL scale (Parasuraman, Zeithaml and Berry, 1988). Indeed, the consolidation of the ten dimensions into these five dimensions was supported by the earlier research of Berry, Zeithaml and Parasuraman (1985). The research concluded that there is a strong correlation between, on one side, credibility, competence, communication, courtesy and security, and on the other side, between understanding customers and access; it then defined two broad dimensions, empathy and assurance, which are the same as the SERVQUAL dimensions. Jabnoun and Al-Tamimi (2003, p. 559,560) defined these five dimensions as "reliability refers to the ability to perform the service dependably and accurately. Responsiveness refers to employees' willingness to help customers and provide prompt service. Tangibles refer to the physical facilities, equipment, and appearance of personnel. Assurance refers to employees' knowledge, courtesy, and ability to convey trust and confidence. Empathy refers to the level of caring and individual attention given to customers".

Furthermore, Zeithaml, Parasuraman and Berry (1990) also established that the reliability dimension was the most important dimension, followed by responsiveness, assurance and empathy, while tangibles were of the least concern for the service customers.

Other research has found that in the case of evaluating service quality, three dimensions should be used (Stewart and Walsh, 1992). These are:

1. Core service. This refers to the service designed specifically to meet customers' needs.
2. Physical conditions. This refers to the physical conditions of the environment where the service is provided.
3. Service relationship. This refers to the link between service provider and service receiver.

A different view was also given by Garvin (1988), who identified eight dimensions for assessing service quality levels. These are: performance, ventures, reliability, serviceability, durability, conformance, aesthetics and perceived quality.

While Sasser, cited in Philip (1997) argued that service quality has five different dimensions:

1. Attitude. This refers to the politeness and social manners of the service provider.
2. Availability. This refers to location, training, frequency, and accessibility.
3. Security. This refers to physical safety and confidence.
4. Consistency. This refers to a permanent and consistent level of service quality.
5. Completeness. This refers to the existence of a full range of services and facilities.

Unlike the above views, Naser, Jamal and Al-Khatib (1999) have proposed three dimensions of service quality:

1. Experience quality. This refers to wearability, taste, and satisfaction, these are determined after the purchase or during the consumption of the service.
2. Search quality. This refers to price, fee, smell, style, colour, and fit, these are defined prior to the purchase.
3. Credence quality. This refers to dimensions that require a good level of skills.

However, it is noted from Skelcher's (1992) work that service quality dimensions have four elements. Each element has a number of dimensions:

1. The service setting. This includes the appearance of buildings; service outlets must be physically accessible; equipment must be reliable and easy to handle; employees and equipment should be of a good standard.
2. Service characteristics. This includes standards of providing services; availability of services and products to suit customers' needs; stability in service performance; reliability of accurate, dependable, and consistent service; equal provision of service to all customers; timelines to suit the customers.
3. Customer power. This means customers should have a choice concerning the standard nature of service; customers should have the chance to influence service and policy; customers should have the right to complain about faults and obtain redress; customers should be informed of, and know their rights; and they also have a voice.
4. Personal relationship. This includes competence and skills; courtesy; individual responsiveness to customer needs and requirements; knowledge and back-up of staff; security; credibility; communication with customers to provide feedback; and politeness.

Various arguments regarding service quality dimensions emerged in the increased research in the field, though it was noted that some cases were based on the work of Berry, Zeithaml and Parasuraman (1985) and Parasuramn, Zeithaml and Berry (1985) and (1988). Some of these common arguments are listed below:

- Gronroos (1990) suggested six determinants of perceived good service quality: attitudes and behaviour; reliability and trustworthiness; reputation and credibility; flexibility and accessibility; professionalism and skills; recovery.
- Albrecht and Zemke (1985) proposed four dimensions: spontaneity; care and concern; recovery and problem solving.

- Walker (1990) had his own key determinants: delivery systems; product reliability; quality environment; good personal service-staff attitude; skills and knowledge.

- Johnston (1995) have examined the ten determinants of service quality suggested by Parasuraman, Zeithaml and Berry (1985). Their findings supported these ten dimensions and suggested a refined list of twelve dimension of service quality: availability; comfort; cleanliness/tidiness; access; courtesy; friendliness; competence; appearance/aesthetics; communication; security; reliability and responsiveness.

- Armistead (1990) categorised service quality determinants into two groups, "firm" and "soft." The firm dimensions include flexibility (mistakes recovery and service customization); fault freeness (information, advice, and physical items); and time (waiting time, availability, and responsiveness). Soft dimensions are steering (the degree of how customers feel they control their own destiny); safety (confidentiality, security, and trust) and style (accessibility of staff, attitude of staff, and ambience).

- Johnston (1995) tries to capture the totality of service quality by identifying eighteen service quality dimensions. These are: availability; attentiveness; aesthetics; commitment; cleanliness; care; comfort; access; communication; competence; courtesy; security; flexibility; functionality; integrity; friendliness; reliability, and responsiveness. Moreover, his study demonstrated that some determinants of quality predominate over others in providing customer satisfaction.

- Gronroos (1984) has stated that customers evaluate service quality depending on functional and technical dimensions. The first dimension refers to which service is provided, while the second refers to how service was provided.

It can, therefore, be suggested that various studies focused on identifying the service quality determinants. Each one has their own specific suggestions, as they try to understand the nature of service quality itself, and also attempt to encompass additional areas of the service sector.

3.2 The SERVQUAL Instrument

Parasuraman, Zeithaml and Berry (1985, 1988) developed the SERVQUAL instrument; they were looking for a generic instrument for the purpose of measuring service quality across a wide range of service industries. They also reported how customers evaluate service quality by comparing their expectations about the service with their perceptions of the service they actually received.

3.2.1 SERVQUAL instrumentation

The focus of Parasuraman and his colleagues in the period of 1985-1988 was on GAP 5 (the expected service/perceived service gap). The article, published in 1988, was titled *"SERVQUAL: a multi-item scale for measuring consumer perceptions of service quality."* This article introduced the famous equation, *"Q = P – E,* (Q = quality, P = perception, E = expectation)" (p. 19). Accordingly, SERVQUAL measures customer's expectations and perceptions separately.

3.2.1.1   SERVQUAL expectation measure (E)

This section of the SERVQUAL instrument deals with customers' opinions of services, more precisely, how the customer shows the extent of what they think of the services offered by the organisation. Each statement should describe the features in the scale and the customer selects between 1 (strongly disagree) and 7 (strongly agree) for each statement, which reflects how the customer perceives the services described and how the statements meet their expectations. In view of this, there are no right or wrong answers (Prarsuraman, Zeithaml and Berry, 1988).

3.2.1.2 SERVQUAL perception measure

The statements in the perception section deal with customers' feelings about the perceived service. In this section the customer has to show the extent of their satisfaction about the services provided by an organisation and described by the scale statements. Once again customers select one of the numbers between 1 (strongly disagree) and 7 (strongly agree). Again there are no right or wrong answers, customers are just required to choose the number that best shows his or her perceptions about the perceived service (Parasuraman, Zeithaml and Berry, 1988).

3.2.1.3 The structure of the SERVQUAL instrument

The structure of the SERVQUAL instrument is based on five service quality dimensions. In other words, SERVQUAL statements, as a survey questionnaire, represent the translation of these five service quality dimensions (Parasuraman, Zeithaml and Berry, 1994): tangibles; responsiveness; reliability; empathy; and assurance (see Figure 3.1 below).

Figure 3.1 SERVQUAL Structure

Reliability

1. Providing services as promised.

2. Dependability in handling customers' service problems.

3. Performing services right the first time.

4. Providing services at the promised time.

5. Maintaining error-free records.

Responsiveness

6. Keeping customers informed about when services will be performed.

7. Prompt service to customers.

8. Willingness to help customers.

9. Readiness to respond to customers' requests.

Assurance

10. Employees who instil confidence in customers.

11. Making customers feel safe in their transactions.

12. Employees who are consistently courteous.

13. Employees who have the knowledge to answer customer questions.

Empathy

14. Giving customers individual attention.

15. Employees who deal with customers in a caring fashion.

16. Having the customer's best interest at heart.

17. Employees who understand the needs of their customers.

18. Convenient business hours.

Tangibles

19. Modern equipment.

20. Visually appealing facilities.

21. Employees who have a neat, professional appearance.

22. Visually appealing materials associated with service.

Source: Parasuraman, Zeithaml and Berry (1994, p. 207)

3.2.2 SERVQUAL related research

3.2.2.1 The implications of SERVQUAL within service industries

Researchers have paid considerable attention to SERVQUAL and have used the instrument extensively to measure service quality in a variety of service industries such as banking (Duncan and Elliott, 2004; Lopez, Hart and Rampersad, 2007; Nielsen and Host, 2000;

Mukherjee and Nath, 2005; Lam, 2002; Jiang, Klein and Crampton, 2002; Arasli, Katircioglu and Mehtap-Smadi, 2005; Wong, Rexha and Phau, 2008; Arasli, Mehtap-Smadi and Katircioglu, 2005;Lassar, Manolis and Winsor, 2000; Kangis and Voukelatos, 1997); higher education (Oldfield and Baron, 2000; Dotchin and Oakland, 1994); health care (Kilbourne et al., 2004; Lim and Tang, 2000; Babakus and Mangold, 1991; Carman, 1990); tourism industry (Augustyn and Ho, 1998; Hudson, Hudson Miller, 2004); retail chain (Parasuraman, Zeithaml and Berry, 1994; Dabholkar, Thorpe and Rentz, 1996); clubs (Lam, Wong and Yeung, 1997); Library services (Yu et al., 2008; Cook and Thompson, 2001); restaurant (Bojanic and Rosen, 1994); internet portals (Liu, Du and Tsai, 2008); fast food (Lee and Ulgado, 1997); information systems (Jiang, Klein and Crampton, 2000); and telecommunications (Van der Wal, Pampallis and Bond, 2002; Lai et al., 2007).

In line with the above, it can be argued that various researchers have taken SERVQUAL as a measure of service quality in different service industries. Furthermore, it was noted from the review that there have been a number of empirical studies that dealt with service quality measurement in the banking industry using the SERVQUAL instrument. In addition, this instrument has also been used in different countries; these include: China (Lam, 2002); Cyprus (Arasli, Katircioglu and Mehtap-Smadi, 2005; Arasli, Mehtap-Smadi and Katircioglu, 2005); Australia (Baldwin and Sohal, 2003); the United States (Jiang, Klein and Crampton, 2000; Pitt, Watson and Kavan, 1995; Babakus and Boller, 1992; Kilbourne et al., 2004); the UK (Kilbourne et al., 2004; Pitt et al., 1995); South Africa (Van der Wal, Pampallis and Bond, 2002); Korea (Kettinger, Lee and Lee, 1995); and The Netherlands (Kettinger, Lee and Lee, 1995).

3.2.2.2 The value of the SERVQUAL instrument

SERVQUAL (Parasuraman, Zeithaml and Berry, 1985, 1988) was originally designed to be a universal scale within and across a broad range of services. Accordingly, it has been widely used by researchers and practitioners (Francis, 1996). As a measure of service quality, the literature fully supports the significant role of SERVQUAL; for instance, Rouhani (1997) utilized the SERVQUAL scale for measuring service quality in marketing consultancy offices in Singapore and Australia. The SERVQUAL role was vital in identifying the difference, in the same industry, between these two countries in terms of perceived quality. The difference is caused by the disparity in economic, social, and cultural aspects of Singapore and Australia.

Liljander and Standvik (1995) examined the link between perceived service quality and the intention to re-buy. They used SERVQUAL to measure this link and their findings indicated that there is a correlation between price and quality. Accordingly, SERVQUAL instrument in this context can be considered as a fundamental tool in proving this relationship.

Shields (1995) used the SERVQUAL instrument to measure service quality in academic advisory services. This study indicates that it is vital to consider the academic advisory processes as a step in a long-term relationship with students, which in turn makes it necessary to train individuals, who are responsible for dispensing academic advice, to accomplish this task so that levels of service can be executed to the highest standard. This study also recommended a continuous measurement process in order to make service quality processes more effective, thus proving the importance of conducting research in the area of service quality.

Roest and Theo (1995) suggested that customer expectations of service quality could be used as a reference point or standard for the evaluation of service quality. Taking this into consideration, the SERVQUAL instrument includes the elements that particularly measure customer expectations. It is designed based on this aspect and also includes the perceptions element. Accordingly, the differences between the measured customer expectations and perceptions will refer to the level of service quality (Parasuraman, Zeithaml and Berry, 1988).

Lim and Tang (2000, p. 297) pointed out that "the use of the SERVQUAL instrument demonstrated the areas in which hospitals in Singapore are close to meeting patient expectations and areas in which the hospitals fall far short of expectations. In this way, Singapore hospitals can improve their level of quality and the effectiveness of SERVQUAL, TQM can be monitored over time, with resources being shifted to those areas which most heavily influence patient perceptions of service quality." This view is supported by the earlier research of Babakus and Mangold (1991, p. 780). They stated that "one of SERVQUAL's major contributions to the health care industry will be its ability to identify symptoms and to provide a starting point for the examination of underlying problems that inhibit the provision of quality services". Similarly, it was reported that adapting the SERVQUAL instrument was effective in specific service sectors such as health services (Dotchin and Oakland, 1994).

With reference to SERVQUAL administration issues, the study by Newman and Cowling (1996) revealed that there were no difficulties in administrating SERVQUAL through self-administered questionnaires or via telephone.

Researchers have stated that SERVQUAL can engender notable results concerning customer satisfaction. For example, Mehta and Durvasula (1998) utilized the SERVQUAL instrument to measure service quality in the overall business-to-business of the shipping industry in Singapore. Additionally, customer satisfaction was also measured in the field of shipping services, where various service quality variables were confirmed as; Moment of Truth, Service Encounter, and Boundary Spanning.

In addition, Yavas, Bilgin and Shemwell (1997) found that satisfaction was determined by a five-item measure, which related to the five dimensions of SERVQUAL. In this regard, Augustyn and Ho (1998) concluded that the SERVQUAL model is of the utmost importance for achieving the real meaning of consumer satisfaction. Recently, Lopez, Hart and Rampersad, (2007) also confirmed that the service quality dimensions identified by Parasuraman, Zeithaml and Berry (1985, 1988) are significant and valuable in describing customer satisfaction in South Florida's retail banking.

The same view came from Haller (1995), whose study aimed to classify the antecedents that contribute to customer satisfaction and dissatisfaction. He used the SERVQUAL instrument to measure customer satisfaction. His study also examined the uncertainty associated with perceived service quality and clearly indicated a number of elements influencing this uncertainty, such as past experience and employees failing to deliver the service.

With regard to the stability and validity of SERVQUAL, Alsayyed (1998) mentioned that SERVQUAL had both validity and stability when he used it to measure service quality in hotels. He also added that SERVQUAL can be used as a measurement tool in the future, in the area of hospitality services.

Likewise, Wong, Rexha and Phau (2008) pointed to the robustness, stability and validity of the SERVQUAL measure. In this respect, Kenneth (1993) supported the validity of the SERVQUAL instrument in solving service quality problems and he added that the concepts of expectations and perceptions are obviously defined.

3.2.2.3 SERVQUAL criticisms

In spite of the popularity of the SERVQUAL scale as a measure of service quality, there have been theoretical and operational criticisms raisen. Arasli, Mehtap-Smadi and Katircioglu (2005, p. 45) stated that "although there have been many studies using the SERVQUAL model as a framework in measuring service quality, there have also been theoretical and operational criticisms directed towards this model in the service marketing literature".

The conceptualization of the "gap score" has been criticised. For instance, it has been proposed that the concept of "subtraction", continued in the SERVQUAL instrument, has no equivalent theories of psychological function (Ekinci and Riley, 1998). The adoption of "gap score" is suggested to be a poor option to measure the construct of psychology (Van Dyke, Prybutok and Kappelman, 1999) since there is no established evidence that customers accurately evaluate the quality of service by using perception-minus-expectation scores (Ekinci and Riley, 1998; Peter, Churchill and Brown, 1992; Buttle, 1996).

In addition, the operational validity of the "gap score" was also questioned and criticised in that these scores are unlikely to be separated from their component scores (Brown, Churchill and Peter, 1993).

It has been increasingly emphasised that using perceptions scores, as in SERVPERF, is likely to be more effective and accurate in identifying the overall assessment of quality of service (McAlexander, Kaldenberg and Koenig, 1994; Cronin and Taylor, 1992). This debate has led to further research and examination of the SERVQUAL instrument (Duncan and Elliott, 2004).

Cronin and Taylor's (1992) view on gap scores measure fits with Teas (1993a, 1993b) where there is a positive relationship between expectations and performance, however, this will have a negative effect on the reliability of the SERVQUAL gap measure. Furthermore, because the statistical variance of expectation and performance scores is different, it is difficult to conduct subsequent tests of statistical significance (Churchill and Peter, 1993).

Additionally, including customer expectations in the SERVQUAL measure has been criticised since it leads to multiple interpretations (Teas, 1994). With this view in mind, researchers defined customer expectations as; customer wants, customer desires, service organisations should deliver adequate service and ideal standards of service which would enable multiple interpretations by customers. The expectations of service will also vary from one customer to another according to what they expect from their service provider.

The dimensional structure of the SERVQUAL instrument has also been criticised. It can be argued that various studies within the literature, (Babakus and Boller, 1992; Engelland, Workman and Signh, 2000; Carman, 1990; Headley and Miller, 1993; Parasuraman, Zeithaml and Berry, 1991), reported that factor-loading patterns indicate a weakness related to convergent validity. This is because a number of SERVQUAL items had the highest loadings on different dimensions from those stated by Parasuraman, Zeithaml and Berry, (1988). Therefore, SERVQUAL is not valid or suitable for measuring service quality within all service sectors (Babakus and Boller, 1992). Accordingly, it is important to refine SERVQUAL when it is employed for use in a specific service sector (Guo, Angus and Hair, 2008). In this regard, other researchers who ran confirmatory factor analysis to test a five-factor model, reported poor validity (Badri, Abdulla and Al-Madani, 2005; Cui, Lewis and Park, 2003). Various studies have introduced different dimensions for measuring service quality, including: one dimension (Lam, Wong and Yeung, 1997; Cronin and Taylor, 1992); two dimensions (Gounaris, 2005; Babakus and Boller, 1992); three dimensions (Najjar and Bishu, 2006; Arasli, Mehtap-Smadi and Katircioglu, 2005; Cui, Lewis and Park, 2003); four dimensions (Kilbourne et al., 2004); six dimensions (Headley and Miller, 1993; Carman, 1990); seven dimensions (Walbridge and Delene, 1993); and nine dimensions (Carman, 1990).

Following the views of (Richard and Allaway, 1993; Brady and Cronin, 2001; Gronroos, 1990) it appears that the SERVQUAL instrument focuses on the service delivery process instead of the service outcomes. This has led to the failure of such an instrument to provide any particularly valuable insight into service outcomes.

Finally, according to the above arguments, the criticisms directed at SERVQUAL can be categorized into theoretical and operational criticisms as provided in Table 3.1.

Table 3.1 SERVQUAL's Theoretical and Operational Criticisms

Theoretical	Operational
1. Gaps model: There is little evidence that customers can evaluate service quality by using the concept of "perceptions-minus-expectations" (Peter *et al*., 1992; Buttle, 1996). 2. Process orientation: the SERVQUAL model focuses on the process of service delivery rather than outcomes of the service encounter (Brady and Cronin, 2001). 3. Dimensionality: the five dimensions of SERVQUAL instrument are not universal; there is a high degree of intercorrelation between the SERVQUAL's five dimensions, and these dimensions do not always address service quality offered in the different service industries (Babakus and Boller, 1992). 4. Paradigmatic objections: SERVQUAL instrument relies on disconfirmation paradigm rather than an attitudinal paradigm; and it fails to build on established statistical, economic, and psychological theory (Van Dyke *et al*., 1999).	1. Expectations: customers use standards rather than expectations to assess service quality; the SERVQUAL instrument cannot measure the absolute service quality expectations (Teas, 1994). 2. Item composition: four or five items cannot cover the variability within each service quality dimension (Guo, Angus and Mario, 2008). 3. Two administrations: two administrations of the instrument cause confusion and boredom (Cronin and Taylor, 1992). 4. Customer assessment: customers' assessment of service quality may vary from one customer to another (Teas, 1994). 5. Variance extracted: SERVQUAL instrument fails to account the proportion of item variances (Headley and Miller 1993; Engelland *et al*., 2000).

As mentioned above, researchers have attributed the problems and criticisms associated with the SERVQUAL measure, to theoretical and operational issues. To provide lasting solutions to the problems of unsuccessful measurability of the instrument, researchers agreed on a possible modification of the SERVQUAL instrument to suit a variety of service industries. The opinion regarding the modification of SERVQUAL fits into an earlier view, held by Carman (1990) and cited in Hussey (1999, p. 90), who proposed that "the SERVQUAL instrument provides a good starting point for analysis but may need modification in any specific context. Such modifications might include the omission or addition of scale items depending upon the particular context of application". This is because culture and service settings have a significant impact on the adoption of service quality measures (Guo, Angus and Mario, 2008). Similarly, Babakus and Boller (1992) suggested that service quality dimensions, included in the measurements, may rely on the nature of the industry being researched; therefore, the call for the modification of SERVQUAL is thought to be essential. This in turn prompted researchers of empirical studies to use a modified version of SERVQUAL, based on the context of applications (Al-Tamimi and Al-Amiri, 2003; Jabnoun and Khalifa, 2005; Jabnoun and Al-Tamimi, 2003; Amin and Isa, 2008).

It can therefore be noted, that a number of published studies have assessed the validity of SERVQUAL. Within the literature, the adoption of the original and modified versions of SERVQUAL was reported. Consequently, to avoid its shortcomings based on the type of industry and cultural factors, the literature clearly recommends the modification of the SERVQUAL instrument. Thus, as a result of these factors, service quality dimensions will vary from one instrument to another.

3.3 Measuring Service Quality in a Specific Banking Context

Assessing the provided levels of banking service quality is vital for bank managers because it guides them towards the required improvements. Taking into account the benefits of the regular measurement of service quality levels would enable managers to successfully identify the areas of weakness and then build sustainable competitive advantage through improved quality of service and customer relationships. In practical terms, the researcher noted that NatWest Bank in the UK by surveying a random sample of their customers has made a concerted effort in order to understand what their customers expect. The questionnaire was based on service quality variables related to banking service (see Appendix 1). Furthermore, the bank distributed the surveys by post, every three months, thus ensuring the levels of service quality were measured on a regular basis.

In the last two decades, a considerable number of researchers have been concerned with the development of generic and specific measures regarding service quality levels in the banking sector (Parasuraman, Zeithaml and Berry, 1988; Gronroos, 1990; Cronin and Taylor, 1992;

Bahia and Nantel, 2000; Othman and Owen, 2001; Guo, Angus and Hair, 2008). According to Bahia and Nantel (2000), the SERVQUAL instrument has been used by a variety of banks in both the original and the modified versions. Furthermore, as well as using the original version of SERVQUAL to measure banking service quality (Newman and Cowling, 1996; Kangis and Voukelatos, 1997; Arasli, Katircioglu and Mehtap-Smadi, 2005; Bei and Shang, 2006; Alrasli, Mehtap-Smadi and Katircioglu, 2005; Elmayar, 2007), the review of the current literature identified three categories of research related to banking service quality measurement.

First, replication studies - these have investigated the adoption of the SERVQUAL scale in retail banks (see Table 3.2). For instance, Newman (1996) assessed the applicability of SERVQUAL in two banks in the UK; he mentioned that both banks provided fresh evidence about the suitability of the SERVQUAL model. The other replicated study was carried out by Blanchard and Galloway (1994), who interviewed 39 bank employees and 439 current account customers in the UK. Their findings supported the use of the SERVQUAL model across UK retail banks.

Second, comparative studies investigated the difference between the SERVQUAL model and other service quality measurement models used in banking (see Table 3.3). In this regard, Cronin and Taylor (1992) compared SERVQUAL with three other models of SERVPERF, an importance-weighted version of the SERVQUAL model and an importance-weighted version of the SERVPERF model. The study revealed that the dimensions of SERVQUAL could not be replicated and thus it confirmed that the performance-based SERVPERF model is more appropriate for the measurement of service quality in banking.

In India, Angur, Nataraajan and Jahera (1999) replicated the research of Cronin and Taylor, (1992). They used a sample size of 143 retail banking customers, where they contradicted the findings of Cronin and Taylor (1992) by introducing evidence that the SERVQUAL model is more effective in diagnosis than the SERVPERF model. This study also added that the five SERVQUAL dimensions do not completely fit into the specific service setting.

Moreover, Cronin and Taylor's (1992) study was also replicated by Cui, Lewis and Park, (2003) in South Korea using a sample size of 153 customers from retail banks. Their findings indicated that both SERVQUAL and SERVPERF are multidimensional models, and have low validity of construct. On the other hand, a study carried out in the USA by Lassar, Manolis and Winsor (2000), compared SERVQUAL with the Technical/ Functional Quality model, using a sample size of 65 international private banking customers. These results support the superiority of the Technical/ Functional Quality model in predicting customer satisfaction.

Third, studies that have created niche models or instruments, whether by modifying the SERVQUAL model or using alternative service quality dimensions supported by the literature (see Table 3.4). The modified model of SERVQUAL, introduced by the researchers, is based on five dimensions completely or partly selected from the original SERVQUAL dimensions, in addition to the new dimensions. These niche measures seem to be superior, within the banking setting, to those of the original SERVQUAL model.

For instance, Jabnoun and Khalifa (2005, p. 374) suggest that "the concerns of service quality may differ from one country to another." Accordingly, the researchers modified SERVQUAL to incorporate a scale including thirty items distributed through four dimensions: (1) personal skills; (2) reliability; (3) values; and (4) image. This modification was made to fit the service quality of UAE conventional and Islamic banks.

Similarly, Amin and Isa (2008) modified SERVQUAL for the effective measurement of service quality in Malaysian Islamic banks. They used the five original SERVQUAL dimensions incorporating one additional dimension, compliance, to measure Malaysian Islamic banking service quality. These six dimensions were then broken down into 26 items.

In a study regarding Islamic banks in Kuwait, Othman and Owen (2001) focused on the validity of the SERVQUAL dimensions. They modified it to produce the CARTER scale which includes 34 items across six dimensions, namely "compliance with Islamic law, assurance, reliability, tangibles, empathy and responsiveness" (p. 9).

Additionally, Bahia and Nantel (2000) used some of the SERVQUAL dimensions with the incorporation of additional dimensions emerging from a marketing mix framework, subsequently developing the Banking Service Quality (BSQ) scale. This scale consists of 31 items across the six dimensions of "effectiveness and assurance, access, price, tangibles, service portfolio and reliability" (p. 87).

Continuing with the modification of the SERVQUAL scale, Guo, Angus and Hair (2008) developed an instrument specifically to measure service quality in Chinese corporate banks. They used SERVQUAL as a starting point for the research leading to the creation of their new measure, which is Chinese Banking Service Quality (CBSQ). They included 20 items across four dimensions: (1) reliability; (2) human capital; (3) communication; and (4) technology.

Furthermore, Jabnoun and Al-Tamimi (2003) also modified SERVQUAL for service quality measurement in the commercial banks in the UAE. The instrument comprises 30 items belonging to the five SERVQUAL dimensions. In this study, the results of factor analysis defined three dimensions, namely, empathy, tangibles, and human skills. In research conducted by Obaid (2006), the SERVQUAL model was modified to measure service quality in the UAE banks. The service quality dimensions used in this modified model are

tangibles, assurance, reliability, responsiveness, empathy, Islamic banking variables, overall service quality, avoiding interest-based financing and familiarity with products and services.

In the same context, Karatepe, Yavas and Babakus, (2005) adjusted the SERVQUAL scale to measure service quality in banks in Cyprus, using 20 items within four dimensions: (1) service environment; (2) interaction quality; (3) empathy; and (4) reliability.

As mentioned earlier, independent scales or models have been developed to measure service quality in banks, in other words, these independent measures are not based on the SERVQUAL model. In this respect, Avkiran (1994) developed BANKSERV based on retail banking in Australia, and included 17 items distributed within the four dimensions of staff conduct, credibility, communication and access to teller services.

Additionally, Aldlaigan and Buttle (2002) created a new scale to fit the banking service sector in the UK. This scale, called SYSTRA-SQ, includes 21 items within four dimensions. These dimensions are: (1) service system quality; (2) behavioural service quality; (3) machine service quality; and (4) service transactional accuracy.

Sureshchandar, Rajendran and Anantharaman (2002) produced an alternative scale for measuring service quality in Indian banks. This scale consists of 41 items across the five dimensions: core service or service product; human element of service delivery; systemization of service delivery; tangibles of service and social responsibility.

Table: 3.2 Review of Replication Studies of the SERVQUAL Scale

Author	Country	Sample	Findings
Newman (1996)	**UK**	500 customers, 1,350 customers and 84000 customers.	The study reported that both banks were able to provide fresh evidence about the suitability of the SERVQUAL model in measuring banking service quality.
Blanchard and Galloway (1994)	**UK**	439 customers and 39 bank employees.	The findings supported the application of the SERVQUAL model within UK retail banks. However the study also identified SERVQUAL's failure to provide any suggestions towards service quality improvements.

Table 3.3 Review of Comparative Studies between SERVQUAL and Other Models

Author(s)	Country	Sample	Findings
Cronin and Taylor (1992)	USA	660 customers.	The study rejected the replication of SERVQUAL dimensions and suggested that the SERVPERF model is superior.
Angur, Nataraajan and Jahera (1992)	India	The researchers used a sample size of 143 retail banking customers.	The study reported that the SERVQUAL model is more effective than SERVPERF in providing diagnostic information.
Lasser, Manolis and Winsor (2000)	USA	The authors used a sample size of 65 international private banking customers.	The results support the superiority of the Technical/ Functional Quality model in predicting customer satisfaction.
Cui, Lewis and Park (2003)	South Korea	The sample size used in this study was 153 retail banking customers.	The results indicated that both SERVQUAL and SEVPERF have low construct validity.

Table 3.4 Review of Studies that Created Niche Scales by Modifying SERVQUAL Model or by Using Alternative Service Quality Dimensions

Author	Country	Sample	Questionnaire administration	Data analysis procedure	Scale	Dimensions (number of items)	Reliability
Jabnoun and Khalifa (2005)	UK	115 customers of conventional banks and 115 customers of Islamic banks	Self-administered	Exploratory factor analysis	29 items; perception-only scores	4 dimensions: personal skills (12), reliability (5), image (6), value (6)	The alpha coefficients of these four dimensions were 0.9414, 0.8518, 0.8808, and 0.9194 respectively.
Amin and Isa (2008)	Malaysia	A total of 660 questionnaires	Self-administered	Mean	26 items; perception-only scores Seven point Likert ranging from (1) = strongly disagree to (7) = strongly agree	6 dimensions: tangibles (3), reliability (5), responsiveness (5), assurance (4), empathy (6), compliance (4)	Ranged from 4.07 to 5.52.
Othman and Owen (2001)	Kuwait	Survey of 360 retail banks' customers	Self-administered	Exploratory factor analysis	34 items; Five point Likert scale starting at (1) = not important to (5) = very important.	6 dimensions: compliance (5), assurance (5), reliability (4), tangibles (5), empathy (9), responsiveness (6)	The alpha coefficient for the CARTER dimensions showed very high reliability; 0.70, 0.81, 0.79, 0.89, 0.77 and 0.79 respectively.

Author(s)	Country	Sample	Questionnaire administration	Data analysis procedure	Scale	Dimensions (number of items)	Reliability
Bahia and Nantel (2000)	**Canada**	115 retail banking customers	Self-administered	Cronbach's alpha	31 items; perception-only scores	6 dimensions: effectiveness and assurance (13), access (5), price (5), tangibles (4), service portfolio (2), reliability (2).	The Cronbach's alpha scores were 0.96, 0.93, 0.88, 0.78, 0.90 and 0.87 respectively.
Guo, Duff and Hair (2008)	**China**	In –depth interviews with 18 financial managers. 259 corporate customers	Self-administered	Exploratory and confirmatory factor analysis	20 items; including expectations and perceptions scores. Seven-point Likert response format starting at (1) = strongly disagree to (7) = strongly agree	4 dimensions: reliability (3), human capital (7), communication (6), technology (4).	The alpha scores were 0.88, 0.93, 0.93 and 0.90 respectively. The overall reliability for the CBSQ scale is 0.965.
Jabnoun and Al-Tamimi (2003)	**UAE**	462 customers of local and foreign banks	Self-administered	Exploratory factor analysis	22 items; perception-only scores	3 dimensions: human skills (12), tangibles (5), empathy (5).	The alpha scores were 0.9256, 0.790, and 0.7656 respectively.

Author	Country	Sample	Questionnaire administration	Data analysis procedure	Scale	Dimensions (number of items)	Reliability
Karatepe, Yavas and Babakus (2005)	**Cyprus**	1220 customers	Self-administered	Exploratory factor analysis; confirmatory factor analysis	20 items; perception-only scores. Five-point Likert scale, starting at (1) = strongly disagree to (5) = strongly agree.	4 dimensions: service environment (4), interaction quality (7), empathy (5), reliability (4).	Ranged from 0.81 to 0.92.
Obaid (2006)	**UAE**	305 Islamic bank customers	Self-administered	Confirmatory factor analysis	43 items; perception-only scores. Five-point Likert scale, starting at (1) = strongly disagree to (5) = strongly agree.	9 dimensions: tangibles (5), reliability (5), assurance (5), empathy (6), responsiveness (4), Islamic banking variables (10), overall service quality (2), avoiding interest (1), customer's familiarity (15).	Ranged from 0.77 to 0.93.
Avkiran (1994)	**Australia**	Survey of 791 retail banking customers	Self-administered	Confirmatory factor analysis	17 items; perception-only scores.	4 dimensions: staff conduct, credibility, communication, and access to teller services.	The Alpha score for the 17 items is 0.9242.

Author	Country	Sample	Questionnaire administration	Data analysis procedure	Scale	Dimensions (number of items)	Reliability
Aldlaigan and Buttle (2002)	**UK**	975 bank customers	Mail survey	Exploratory factor analysis	21 items; perception-only scores Seven point Likert ranging from (1) = strongly disagree to (7) = strongly agree	4 dimensions: service system quality (11), behavioural service quality (5), machine service transactional accuracy (3).	Ranged from 0.80 to 0.93.
Sureshchandar, Rajendran and Anantharaman . (2002)	**India**	Survey of 360 retail banks' customers	Self-administered	Confirmatory factor analysis	41 items; perception-only scores Seven point Likert ranging from (1) = very poor to (7) = very good	5 dimensions: core service or service product (5), human element of service delivery (17), systemization of service delivery (6), tangibles of service (6), social responsibility (7).	Ranged from 0.82 to 0.96.

It can therefore be argued from reviewing the literature in the area of banking service quality measurement that SERVQUAL (Parasuraman, Zeithaml and Berry, 1985, 1988), which was designed as a universal scale applicable within and across a wide range of service settings, has been used, replicated, and modified within specific banking-service sectors (see Tables 3.2 – 3.4). Although the SERVQUAL scale has been utilized to measure service quality in banking and other service industries, the universality of the SERVQUAL dimensions has been criticised and questioned (Babakus and Boller, 1992; Carman, 1990).

Furthermore, Babakus and Boller's (1992) study identified the fact that SERVQUAL is not valid for measuring service quality across the entire service sector. In addition, as mentioned earlier in this chapter, there were a number of criticisms directed at SERVQUAL in terms of dimensional structure (Cronin and Taylor, 1992), inclusion of the gap scores measure (Babakus and Boller, 1992), and the universality of the broader five dimensions (Engelland, Workman and Signh, 2000). The consequence, therefore, is the ineffective measurability of the SERVQUAL scale within the banking service industry.

3.3.1 Possible measurement solution

To provide a lasting solution to the problem of the unsuccessful measurability of SERVQUAL, researchers agreed on a possible modification of the SERVQUAL model to suit the specific service settings (Bahia and Nantel, 2000; Jabnoun and Khalifa, 2005; Amin and Isa, 2008; Othman and Owen, 2001; Guo, Angus and Hair, 2008; Jabnoun and Al-Tamimi, 2003; Obaid, 2006; Karatepe, Yavas and Babakus, 2005).

It is assumed therefore, that to measure service quality effectively and successfully in banks, the measurement instrument or scale should be a "reliable and valid standard scale for the measurement of perceived quality in banking services" (Bahia and Nantel, 2000, p. 84). In this respect, the focus of the study of Bahia and Nantel (2000) was to develop a valid and reliable standard scale for measuring service quality in retail banking. This scale was later used by Glaveli et al. (2006) to measure the perceived service quality in retail banks in five Balkan countries. Petridou et al. (2007) also applied the scale when measuring service quality in retail banks in Greece and Bulgaria. Both studies have confirmed the validity and reliability of the scale as a measure of service quality in retail banks.

3.3.1.1 Bahia and Nantel's Scale (BSQ)

The Banking Service Quality scale was developed to measure the perceived service quality in retail banking. Bahia and Nantel (2000) used a number of the SERVQUAL dimensions, such as assurance, tangibles and reliability and incorporated additional dimensions such as access and courtesy, as suggested by Carman (1990), as well as "additional dimensions in order to cover all the facets of the marketing mix. Booms and Bitner's (1981) framework

was used to represent the marketing mix with the seven Ps: (1) product/service; (2) place; (3) process; (4) participants; (5) physical surroundings; (6) price; and (7) promotion" (Bahia and Nantel, 2000, p. 85).

After modification, the dimensional structure of the scale was based on six dimensions, related to specific banking services, broken down into 31 items (see Figure 3.2). The scale is a seven-point Likert scale starting at (1) = strongly disagree to (7) = strongly agree. The first dimension is effectiveness and assurance. Effectiveness refers to the delivery of service, (especially the courtesy and friendliness of the employees), and the ability of staff to inspire a feeling of security, while assurance refers to the staff's ability to exhibit their communication skills and to deal with customers' needs in a confidential manner. The second dimension is access, which measures the speed of service delivery. The third dimension, price, assesses the service delivery cost. The fourth dimension is tangibles which refers to the personal appearance of staff and the existence and cleanliness level of the bank's physical facilities. The fifth dimension is services portfolio which measures the range, innovation and consistency of services offered by banks. The sixth dimension is reliability which assesses the ability of bank employees to deliver the promised service accurately and without error.

Figure 3.2 Description of BSQ (six dimensions, 31 items)

Effectiveness and assurance
1. Confidence
2. Recognition of a regular client
3. Confidentiality
4. Valorisation of the personnel
5. Interruption of the service
6. Well-trained personnel
7. Knowledge of the client on a personal basis
8. No contradictions in decision between personnel and management
9. Delivering when promised
10. Good reputation
11. Feeling of security
12. No delays due to bureaucratic factors and procedures
13. Indications (communications) of quality

Access
14. Sufficient number of ATMs per branch
15. Modern equipment
16. Sufficient number of open tellers
17. Waiting is not too long
18. Queues that move rapidly

Price
19. The bank contacts me every time it is useful
20. Good explanations of service fees
21. Balance amount from which service charges begin
22. Reasonable fees for the administration of the accounts
23. Keeping the client informed every time that a better solution appears for a problem

Tangibles
24. Precision on account statements
25. Cleanliness of facilities
26. Decoration of facilities
27. Efficacious work environment

Services portfolio
28. Complete gamut of services
29. The range of services is consistent with the latest innovation in banking services

Reliability
30. Absence of errors in service delivery
31. Precision of filing systems

Source: Bahia and Nantel (2000, p. 91).

3.3.1.2 Positive issues related to the BSQ Scale

The nomological, discriminant and convergent validity of the BSQ scale have been tested (SERVQUAL vs BSQ), and the results revealed reliable validity for the BSQ model in the three tests. The other positive feature of the BSQ model is that this scale is specifically designed and developed to deal with perceived service quality within the retail banking industry (Petridou *et al.,* 2007; Glaveli *et al.,* 2006).

Furthermore, the construct (items and dimensions) of BSQ is deemed to be much more consistent, as the loadings of BSQ variables ranged from 0.57 to 0.89 (Bahia and Nantel, 2000). In contrast, SERVQUAL was criticized in that "many of its variables' loadings since nine of the 22 variables had loadings below the tolerated threshold of 0.5" (p. 88). Bahia and Nantel (2000, p. 89) compared BSQ with SERVQUAL and identified another positive point:

> *"All five dimensions of SERVQUAL are correlated to Dim of BSQ. This could lead to at least two conclusions. First, this is congruent with the critique of SERVQUAL concerning the interdependence of all its dimensions. In the case of BSQ this problem had been avoided as these five dimensions were all included in Dim1 which is independent from the other dimensions of BSQ. Second, apart from the five dimensions of SERVQUAL all included in the first dimension of BSQ, there were also other dimensions completely independent from the dimensions of SERVQUAL (except for Dim2 which is correlated with the first dimension of SERVQUAL)".*

This in fact confirms that BSQ has the particularities of service quality in the banking sector.

In addition, the six dimensions of the BSQ scale match a wider range of marketing variables (Guo, Duff and Hair*,* 2008), than the original SERVQUAL dimensions. It is also interesting to note that, unlike SERVQUAL, in the BSQ model, expectations and perceptions scores are not collected in separate sections. This actually solves the problem should the respondent forget to rate his or her perception score for the item, when he or she arrives at the expectations section (Lewis and Mitchell, 1990).

In view of the above, it can be argued that the three main problems related to the SERVQUAL model, namely its dimensionality, its universality, and the use of expectation-perception disconfirmation approach, are completely avoided when implementing the BSQ model.

This research study is by nature a comparative study, aiming to compare private banks with public banks in terms of perceived service quality from a customer perspective. The literature clearly suggests using a standard scale in this type of research (Petridou *et al.,* 2007; Glaveli *et al.,* 2006; Kangis and Voukelatos, 1997; Spathis, Petridou and Glaveli, 2004).

The existing literature therefore proves to the researcher that the perceived levels of service quality, in Libyan private and public retail banks, can be effectively measured by using the modified SERVQUAL model, the BSQ scale, comprising 31 items distributed within six dimensions.

3.4 Conclusion

The previous discussion has demonstrated that the SERVQUAL model has been used to measure service quality in a variety of businesses in general and the banking sector in particular.

It should also be emphasised that many researchers have questioned and criticised the SERVQUAL model in terms of its dimensionality, its universality, and the use of expectations-perceptions scores separately. These criticisms led to doubts concerning the validity and reliability of SERVQUAL as a tool for measuring service quality in banking sector.

To conclude, in order to overcome the shortcomings of the SERVQUAL model, it is suggested that a modified model be used, based on the SERVQUAL dimensions, to measure the levels of service quality in retail banks. This modified model should reflect the unique characteristics, relating to this type of business, by incorporating additional dimensions into the original SERVQUAL dimensions, and taking into consideration retail banking themes such as those used in the BSQ model.

3.4.1 Chapter summary

This chapter reviewed a number of available studies on service quality dimensions with their significant contributions as to how these dimensions were considered as determinants of service quality levels.

This chapter has also provided an historical view on the SERVQUAL model as a scale for measuring service quality in different service sectors in general, and in the banking sector in particular. The criticisms which were directed at the SERVQUAL model were also discussed. Finally, this chapter has reviewed the research related to the measurement of service quality levels in banking in order to create an effective and valid scale or instrument that would fit the themes of retail banking.

In view of the above, service quality levels can be effectively measured in Libyan private and public banking sectors by using the BSQ scale which was developed specifically to measure service quality in retail banks.

The following chapter will discuss in detail the topic of private banking sector versus public banking sector.

Chapter Four

Private Banking Sector versus Public Banking Sector

Chapter 4: Private Banking Sector versus Public Banking Sector

4.0 Introduction

The main objective of this chapter is to review the findings and outcomes of studies on the topic of private banks versus public banks. It will, therefore, start with an introduction to retail banks and their structure.

Thereafter, the chapter will provide an overview on the differences between private banks and public banks.

The main aim of this chapter is to review the existing literature to consider the findings of the studies on private banks versus public banks, in both Western and Asian contexts, in order to identify the superiority between the private and public banks in those countries. The viewpoints and outcomes of these studies will be used as a basis for developing the research hypotheses.

4.1 Retail Banking

Financial services industry is one of the largest and most important industries in the developed economies, and within that, banking can be seen as the largest sector. Furthermore, there are several types of banks including retail banks, corporate banks, investment banks, credit unions (Shah and Clarke, 2009), and Islamic banks (Amin and Isa, 2008). Shah and Clarke (2009) add that banks exhibit obvious differences in terms of size and also the range and number of services provided.

4.1.1 History of retail banking

Basic banking services such as saving, borrowing for business or personal use, or deposits for safe-keeping are as old as human civilisation, while the organised banking services emerged in Europe in the 15th and 16th century. During this time banks began opening their branches in different commercial areas of big cities. In the 19th century, banks started to merge their branch network, in order to operate in a more integrated manner (Consoli, 2003). Acquisitions and mergers helped banks to rapidly develop and grow, but because of the absence of information and communication technologies at that time, their services remained mostly local. The policy of opening new branches continued to expand business, but the services offered by the banks were limited to deposits, withdrawals, and basic loan services. During this period, banks started to standardize their record keeping and accounting practices which promoted the connection between branches. Furthermore, the arrival of the typewriter at the end of the 19th century facilitated internal/external communications and other tools such as telegraph communication. After the Second World War, the inception of computers

enabled the banking industry to achieve more organised data, which in turn ensured the data was more accurate and more easily accessible (Shah and Clarke, 2009).

Consoli (2003) adds that in mid 1960s further technological advances brought about the development of cash machines, later becoming known as Automated Teller Machines (ATMs). While in the 1980s the automation of data processing spread rapidly to branches allowing most internal operations to become fully automated, however, their benefits to customers remained very limited. At the end of the 1980s and during the early 1990s the use of computers expanded to all areas of banking which enhanced and improved the standardization of products and service delivery, concluding that technology then became a source of competitive advantage (Shah and Clarke, 2009). The use of IT in banks is fundamental because it drastically reduced the costs (Consoli, 2003). This growth in IT continues in retail banking to the present day.

4.1.2 Structure of retail banking

According to Shah and Clarke (2009), the traditional banking business model is based on physical decentralization, with branches distributed around populated areas to provide a wide range of services. The benefits that can be gained from branch investment are distributing banking services, encouraging branch usage, and maintaining the contact with customers. In this regard, Jayawardhena and Foley (2000) stated that having a large network of branches is one form of competitive advantage because it aids geographic access enabling customers to reach the bank's services. Shah and Clarke (2009) agree with Jayawardhena and Foley's argument where they mentioned that in the past the main source of retail banking services distribution was branches, but they add that in the current climate other channels of distribution have made their way into the retail banks, such as telephone banking and e-banking, which has led to the number of branches steadily declining. Nowadays, the majority of banks prefer to deliver their services and products through these multiple channels.

The density of the bank's ATM network or the average proximity of ATMs availability for customers is vital in terms of cash management and convenience. In the UK for instance, banks, in the last decade, have significantly increased the number of ATMs in their network. Recently however, because the charging fee for using ATMs has grown, the number of free ATMs may begin to decline (Donze and Dubec, 2008). Fraering and Minor (2006) have argued that in retail banks, current accounts still play a fundamental role in terms of the relationship between banks and their customers. Current accounts provide access to deposit-holding services, direct debit facilities, and payment services with payment books/cards. This can be taken as a vehicle for building relationships between customers and their banks.

However, the entire structure of retail banks may change since the internet-only banking model offers a potential alternative. The rationale behind internet-only banking is the need to

reduce the operational costs of traditional branch networks and telephone call centres. This can be seen as a competitive advantage because lower operational costs could mean offering higher value to customers (Shah and Clarke, 2009).

4.2 An Overview of the Differences between Private and Public Banking Sectors

According to Davis (1994), the changes which, started in the mid-1980s, (growing financial awareness by customers, government legislation, economic pressures on traditional markets, increased competition in the market place), led to the opening up of the market for retail financial services. The strong competition within the market place suggests that some financial service organisations may disappear, and as a result, small banks may merge with their larger counterparts (Birch, 1995).

Taking the above issues into consideration, the marketing strategy of banks will be dependent on the differentiation of the services provided (Ellwood, 1994). The entry of private banking into the market place has increased the customers' expectations regarding customer service (Thampy and Madanmohan, 1999). This also led to banks opening the door to customers with new options for service (Panigrahy, 2000).

On the other hand, despite the fact that private banks have kindled a competitive spirit within the public banks themselves, the public banking sector is not yet up to the task, as is the case with the private banking sector, concerning the quality of services offered with relation to diversity, the range of service offered, depth, and intensity (Sureshchandar, Rajendran and Anantharaman, 2003).

Kangis and Kareklis (2001, p. 32) have examined the governance in the banking environment; they presented a more explicit argument in that "the term public banks denotes banks under the control of the state and private banks those under the control of private capital. Public banks are controlled by the state either directly, by holding the majority of shares or voting rights, or indirectly by controlling some institutional investors among the larger shareholders." In an attempt to proffer a solution to the question and controversies surrounding the relationship between the control and the influence in public and private banks, Kangis and Kareklis (2001, p. 32) state that "control and influence could be correlated, but the relationship is not easy to identify; the distinction between public and private banks is thus a proxy for a notion going beyond the simple technical ownership of the share capital, to include the structure of influence".

Kangis and Kareklis (2001) also established that public and private banks behave and deal differently with their customers and employees; public banks are likely to be under political control, more bureaucratic, usually more honest and less concerned with the profits. In this respect, Haskel and Sanchis (1995, p. 314) add that "private firms are only concerned with

profits and insist on a high level of effort. By contrast, public sector firms are assumed to have broader social objectives in mind, including the welfare of union members".

Among the key findings in Kangis and Kareklis's (2001) research was that managers of Greek private banks were more mobile in their jobs. Furthermore, private banks used more control mechanisms and displayed a different working climate. They also found that there is political obligation on the public banking sector to serve less profitable and poorer customers. Therefore, considering the private sector as profit-seeking organisations has led to the neglect of public services (Andreassen, 1995). However, "unlike private organisations pursuing profit goals, the public service organisations received the vast majority of their funding from government subsidies and merely a small amount from market user fees" (Ti Bei and Shang, 2006, p. 2).

Many studies support the view that public organisations do not better serve public interest (Sapienza, 2004; Grossman and Krueger, 1993), and that public organisations are typically inefficient (Boycko, Schleifer and Vishny, 1995). For instance, La Porta, Lopez-de-Silanes and Shleifer (2002) pointed out that public sector banks are associated with slower financial performance and lower growth of productivity. Moreover, it was also found that public banks tend to be associated with poor marketing strategies and with poorly developed banks (Barth, Caprio and Levine, 1999), while, Shleifer and Vishney (1997) argued that private organisations are preferable in terms of incentives and costs.

It can be concluded from the above discussion that public-owned banks, unlike private banks, are not in the position where profitability, productivity, and performance efficiency is achieved. This stems from the different objectives of the two ownerships.

4.3 Private versus Public Banks

Comparing private banks with public banks in terms of different business areas, was a point of debate and discussion within the literature. The research that was undertaken on this theme can be divided in two categories. The first category includes research work examining the situation in Western countries, while the second category concerns the research work undertaken in Asian countries.

4.3.1 Private versus public banks in a specific western context

Within the past two decades, many publications have focused on the issue of the private banking sector against public banking sector in Western countries, in different areas of business such as customer perceptions and expectations of service quality, the growth of branch networks, organisational service orientation, managers' practices and behaviour, bank

performance, profitability, productivity, and efficiency. The research works focusing on this subject are highlighted below:

- Kangis and Voukelatos (1997) compared private banks with public banks in Greece in terms of customer expectations and perceptions of service quality. They collected their data at different times and locations using a wide range of customers. Their questionnaire contained statements based on the SERVQUAL model. The study showed that customers of private banks have a similar profile of expectations of service quality as those in public banks. While customers perceptions of the services offered were superior in private banks.

- Braz (1999) investigated the re-privatisation of some of Portugal's banks after they were nationalised following a military coup in 1974. Based on his own analysis and published literature, the author argues that private banks reduced staff at a more rapid rate than the public banks. Moreover, private banks are growing rapidly in terms of branch networks and the productivity and efficiency has also significantly increased.

- Lynn, Lytle and Samo (2000) measured organisational service orientation in Slovenian banks, a newly established private bank and a large and older public bank. In their study they used SERV*OR, a scale developed by Lytle, Hom and Mokwa (1998) to measure the organisational service orientation using a sample size of 105 employees from the two banks. The findings of the study showed that private banks outperformed public banks in both service orientation and financial performance.

- Kangis and Kareklis (2001) carried out their research to compare private banks with public banks in terms of managers' behaviour and practices. The researchers used a behavioural approach where the target respondents were managers from a sample of public and private banks in Greece. The results have shown that there are observable differences between the behaviour and practices in public and private banks. Whereas the managers in the case of private banks showed greater alignment of interests, this was not the case with managers in public banks. The research outcome also supports the view that managers in private banks care about the values of their institution more than managers in public banks.

- Bonin, Hasan and Wachtel (2002) investigated the impact of ownership structure on bank performance within six economies in a state of transition: Poland; Romania; Czech Republic; Bulgaria; Croatia; and Hungary. They used a sample size of 222 observations, as well as ownership and financial data from those six countries, for the years 1999 and 2000. Their findings have evidently shown that

profitability, measured by return on equity and return on assets, is higher with private banks than public banks, and foreign banks show the highest profitability.

- Nakane and Weintraub (2005) looked at the privatization experience of nearly 250 banks in Brazil, in the years between 1990 and 2001. The researchers found that ownership is a vital determinant of productivity. Therefore, it was not surprising when they reported that private banks were significantly more productive than public banks. Their research outcomes also support that privatisation significantly increased the productivity.

- Megginson (2005) has also investigated the economics of bank privatisation by surveying the empirical literature in this area. He conducted his research in two stages. In the first stage, he measured the performance of state-owned banks around the world. In the second stage, he assessed why many governments chose to privatise their very large public banks. The empirical evidence clearly showed that the privately-owned banks are more efficient than state-owned banks.

- Isik (2007) examined the responsiveness of different ownership forms on the changing business environment in Turkey. The research was conducted in two stages. In the first stage, the researcher used Malmquis index theory to estimate the scale efficiency change indexes, the total factor productivity change, efficiency change, technological change and the pure efficiency change for the Turkish banks. The second stage demonstrated how the researcher utilised the least generalised regression format which tests the significance of productivity differences between different ownership forms. The study showed that productivity growth was highest in the foreign banks followed by private banks, and lowest in the public banks.

It can therefore be argued, from reviewing various studies (Kangis and Voukelatos, 1997; Braz, 1999; Lynn, Lytle and Samo, 2000; Kangis and Kareklis, 2001; Bonin, Hasan and Wachtel, 2002; Nakane and Weintraub, 2005; Megginson, 2005; Isik, 2007) that the private banking sector is superior, when compared with the public banking sector in a number of western countries (Greece, Portugal, Slovenia, Poland, Brazil, and Turkey), in terms of customer perceptions of service quality, the growth of branch networks, productivity, efficiency, organisational service orientation, financial performance, managers' behaviour and practices and profitability.

4.3.2 Private versus public banks in an Asian context

There have been significant efforts by researchers in Asian countries on the topic of private banks versus public banks. For instance, in Taiwan Bei and Shang (2006) assessed the

customer satisfaction of public banks and compared them with their private competitors. Among the key findings of their research, it was noted that the overall customer satisfaction of public banks is far less than that of private banks.

Sureshchandar, Rajendran and Anantharaman (2003) focused in their research on investigating the critical factors of customer perception of service quality in banks in India. Their study compared three groups of banks (foreign banks, private banks, and public banks), with respect to the service quality factors from a customer perspective. The study clearly revealed that technological factors (core service and systematisation of service delivery), contribute more in differentiating the three groups of banks, while the people-oriented factor (human element of service delivery), contributes less to the discrimination. It also showed that foreign banks appear to be performing better than both private and public banks.

In a broader perspective, Cornett, *et al.* (2005) have examined the performance differences between private banks and public banks in sixteen Far Eastern countries between the years of 1989 and 1998. The sixteen countries are: Bangladesh, China, Hong Kong, India, Indonesia, South-Korea, Macau, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam. The data used in this research was based on year-end financial statement data, within the specified period, for the sixteen countries. This data was obtained from the 1997-2000 Bank Scope CDs; this database consists of detailed information based on annual balance sheets and income statements. The ownership information was obtained from the "Shareholder Information" section in the Bank Scope database and from additional sources when needed.

Following the outcomes of the study, it was demonstrated that over the period between 1989 and 1998 public banks generally operated less efficiently and less profitably than private banks. Furthermore, the bank's performance worsens as the extent of public ownership increases. The study also found that in 1997 and 1998 (during the Asian economic crisis) the performance of both private and public banks significantly deteriorated. However, the researchers mentioned that this deterioration in the performance of public banks was notably greater than that of private banks. Finally, the study showed that greater state ownership of banks prompted slower economic and financial performance for the countries in question.

A review of available literature on the topic of private banks versus public banks, in Western and Asian countries, confirms that the areas of comparison between both types of banks are:

1. Customer expectations and perceptions;
2. Customer satisfaction;
3. Financial performance;
4. Profitability;

5. Productivity;

6. Efficiency;

7. Business performance;

8. The growth of branch networks;

9. Organisational service orientation; and

10. Managers' behaviour and practices.

Therefore, the literature provides the evidence concerning the superiority of the private banking sector within different areas of business. In reference to the works of Kangis and Voukelatos (1997), Lewis and Mitchell (1990), Meuter *et al.* (2000), and Guo, Duff and Hair (2008), customer perceptions and customer satisfaction were linked to service quality. In other words, in organisations achieving higher levels of service quality, their customers have high perceptions and high levels of customer satisfaction. More precisely, as mentioned earlier in Chapter Two of this research, customer perception was defined by Lewis (1989) as the consumer's judgment on the actual service performance. In addition, Johnston and Clark (2005) suggested that a match should be found between service quality and the quality or performance of the service, as perceived by the customer. However, researchers and scholars tend to link customer perceptions with service levels by arguing that customer perceptions should be used as a basis, or reference point, for identifying service quality levels (Surshandar, Rajendran and Anantharaman, 2003; Jabnoun and Al-Tamimi, 2003; Glaveli *et al.,* 2006). Therefore, using customer perceptions as a basis will ease the task of measuring service quality (Jabnoun and Al-Tamimi, 2003). This determines that when customers are satisfied after judging the service they received, their perceptions should be higher.

Earlier arguments made in this research (Chapter Two) also point to the possible fact that there is strong correlation between service quality and customer satisfaction (Taylor and Baker, 1994; Cronin and Taylor, 1992; Zeithaml and Bitner, 1996). This is because customer satisfaction is an antecedent of service quality (Parasuraman, Zeithaml and Berry, 1985, 1988, 1991, 1994; Bitner, 1990; Carman, 1990). Hence, improved service quality will positively impact customer satisfaction (Anderson, Fornell and Lehmann, 1994; Bitner, Booms and Mohr, 1994). This argument agrees with the view of Razak, Chong and Lin (2007) that service quality measurement leads to an improvement in service quality, thus enhancing customer satisfaction.

Conversely, the relationship between service quality and financial performance, also discussed in Chapter Two of this research, demonstrated that there is a positive relationship between service quality and financial performance (Kaplan and Norton, 1996; Norreklit, 2000; Banker, Potter and Srinivasan, 2000; Ittner and Larcer, 1998). Furthermore, within the banking sector it was proposed that service quality has a positive influence on the financial

performance, measured by profitability (Soterion and Zenious, 1998; Cugaresan, Bradley and Booth, 1997; Doncan and Elliot, 2002).

As previously mentioned that Leonard and Sasser (1982) stated that there is a positive relationship between quality and productivity. They pointed out that in their experience high quality consistently results in heightened productivity.

The integration of the above views will therefore lead to the emergence of the fact that customer satisfaction, financial performance, profitability, and productivity are strongly correlated with service quality.

According to the above viewpoints and outcomes originating from theoretical and empirical studies, this research proposes that there are significant differences between the private banking sector and public banking sector in Libya in terms of perceived service quality.

4.4 Connecting the Literature Gap to the Research Question

Based on the literature studies regarding the service quality concept, measuring service quality, and the issue of private banking sector versus public banking sector, a summary can be drawn that the literature review in this research starts by examining various definitions and meanings attributed to the concept of service quality, the importance of service quality, and how service quality can be improved. It also explored the measurement of banking service quality, and the outcomes seem to suggest that service quality levels in Libyan private and public banks can be measured by using the BSQ scale, developed by Bahia and Nantel (2000), which was specifically designed to measure service quality in retail banks.

The rationale behind this research, focusing on the literature studies, is to enable the researcher to undertake quantitative research, aimed not only at examining the meaning of service quality and how service quality can be measured, but also to assist in exploring answers to the research question:

> Are there significant differences between the Libyan private and public banking sectors related to service quality perceptions?

To address this research question, the researcher will explore issues set out within the main research aim (to identify if there are significant differences between the Libyan private and public banking sectors in terms of customer perceptions of service quality) and research objectives which are:

1. To explore the literature on the concept of service quality.
2. To examine various approaches in measuring service quality focusing on banking service quality measurement.

3. To identify the actual levels of service quality provided to banks' customers in Libyan private and public banking sectors.

4. To identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.

5. To identify if the customer demographic characteristics are related to their banking sector (bank status).

6. To draw conclusions and recommendations that help Libyan banks in dealing with service quality issues.

It can be seen that the research question and objectives provide the need for exploring further studies on the issues associated with private banks versus public banks, considering the areas of comparison between both types of banks. Examining the available research in this matter, with reference to the superiority of private banks, produced theoretical and empirical evidence suggesting that private banks outperform public banks, in Western and Asian countries, in different areas of business. The questions arising from this argument are: Does this situation exist in developing countries such as Libya? And, Are there significant differences between the Libyan private and public banking sectors in terms of service quality perceptions? Addressing these questions will fill the gap in the literature identified in this area, since there is no existing research relating to banking service quality in Libya. Furthermore, the development of the service economy and the many changes regarding the environment surrounding service industries has created the need for continuing the focus on service quality (Loizides, 2005).

Figure 4.1 Synthesising the Literature and Research Question
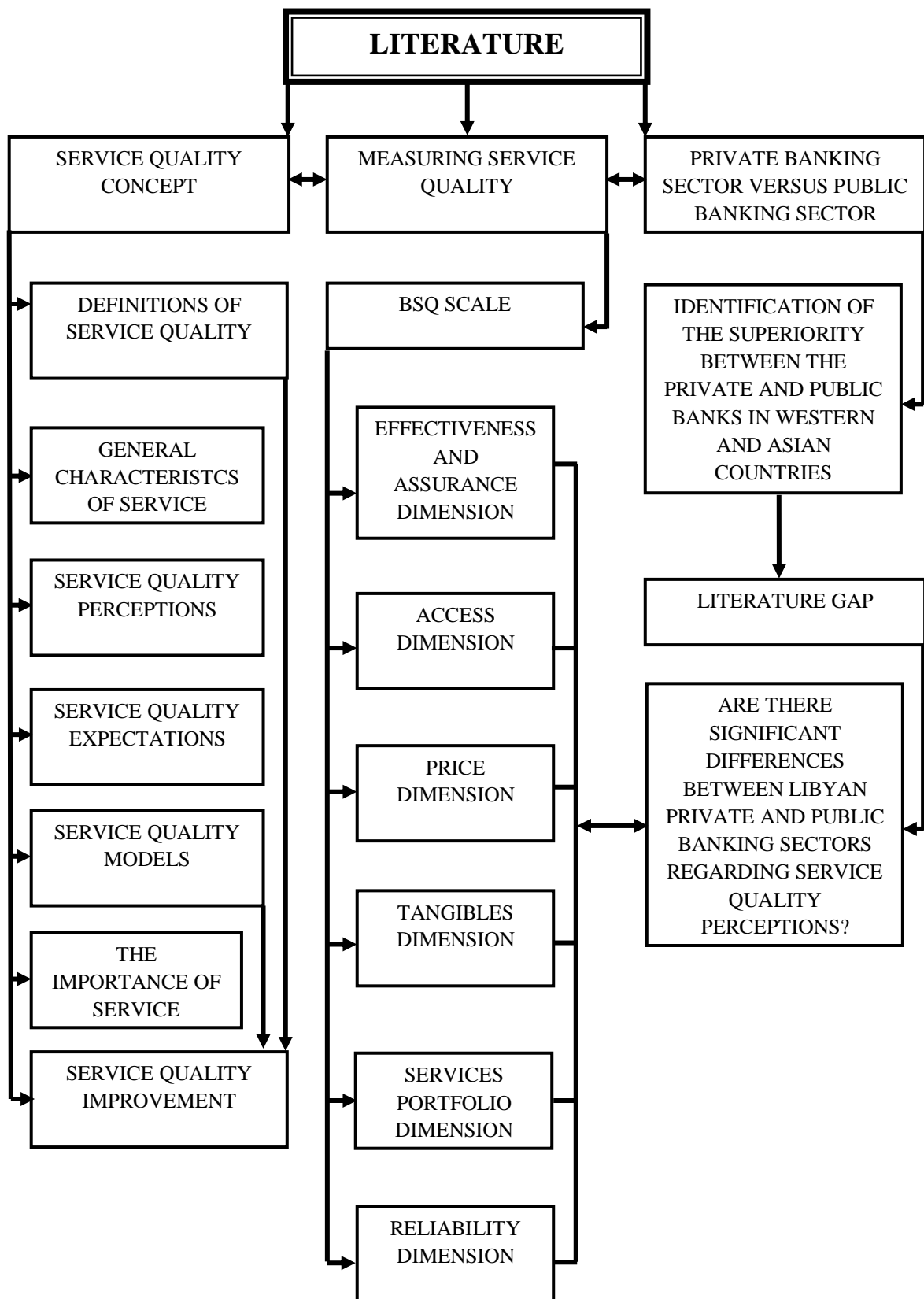
Figure 4.1 provides the link, or connection, between the outcomes from the literature review and the research question. It is expected therefore, when this literature is pursued, it will lead to an appropriate understanding of the concept of service quality, a suitable scale for the effective measurement of banking service quality in Libyan private and public banks and the development of the research hypotheses.

Based on the above viewpoints, and the outcomes originating from the studies on the topic of private banks versus public banks in Western and Asian countries, the following hypotheses are formulated:

Hypothesis **1:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the effectiveness and assurance dimension.

Hypothesis **2:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension.

Hypothesis **3:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension.

Hypothesis **4:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension.

Hypothesis **5:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension.

Hypothesis **6:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension.

Hypothesis **7:** There is significant difference between the Libyan private and public banking sectors with respect to all service quality dimensions together.

The hypothetical assumptions will inform the basis of this research study, since this research will measure service quality levels in Libyan private and public banking sectors using the BSQ scale to identify any significant differences between the two banking sectors in terms of service quality perceptions.

4.5 Summary of the Key Findings from the Review of the Literature

The concept of service quality, service quality measurement and the differences between the private banking sector and the public banking sector have been critically examined in Chapters Two, Three and Four of this research. The conclusions arising from this review are summarised below:

1. Within the literature there are various definitions of service quality aimed at contributing to the meaning of service quality.

2. By gathering the most commonly used definitions in the literature from the last four decades, it is possible to emphasize that service quality means meeting customer satisfaction, meeting customer expectations and meeting service specifications (Johnston and Clark, 2005; Parasuraman, Zeithaml and Berry, 1988). It was also found that there is an overlap between the three definitions that cannot be separated since they are dependent on each other, for example, by meeting service specifications, the customer expectations and satisfaction will be met. These three definitions are more acceptable to this research. More importantly, this research adopted the BSQ scale, using 31 statements to measure service quality in the Libyan commercial banks based on customers' assessment of how they are satisfied with services. In this research, the extent of satisfaction of Libyan banks' customers is meant service quality, which fits with the argument that service quality means meeting customer satisfaction.

3. The review of various service quality models revealed that the models, in addition to their evident role in conceptualising service quality, also provided key elements to service quality measurements and improvements. In other words, the models suggested a number of facets which can lead to an improvement in service quality levels such as a clear understanding of service quality and the factors influencing it, the measurement of service quality and feedback, clear market, customer focus, customer care, an effective processes and system and motivated staff.

4. The theoretical framework of service quality can be described through two schools of thought. These are the North American School (Gap Analysis Model) and the Nordic School. The North American School is the most widely reported theoretical framework in the literature proposed by Parasuraman, Zeithaml and Berry (1985). The model identified a set of gaps existing between customer perceptions and the tasks associated with service delivered. These gaps are measured by the difference between the two scores - performance-minus–expectation (P-E). While the Nordic School, proposed by Gronroos (1984), suggests that service quality is conceptualised as the result of comparisons between perceived and expected service, with perceived service quality being influenced by technical and functional dimensions.

5. To help conceptualise service quality, service quality models were classified into three types: multidimensional reflective models (hierarchal model); multidimensional formative models (SERVQUAL); and multidimensional formative-reflective models (Brady and Cronin's hierarchical model). This research adopted a multidimensional formative model, (BSQ, originally based on SERVQUAL), as the most appropriate scale for measuring service quality in Libyan banks.

6. The review of the literature also found that the SERVQUAL instrument had been replicated and modified specifically for the banking-service sector (Newman, 1996; Jabnoun and Khalifa, 2005; Bahia and Nantel, 2000). It was also found from the review

that despite the widespread usage of the SERVQUAL instrument, it was questioned in terms of theoretical and operational criticisms which led researchers to agree on possible modifications of SERVQUAL based on the type of service industry under review (Bahia and Nantel, 2000; Guo, Angus and Mrio, 2008; Jabnoun and Al-Tamimi, 2003). The researcher selected the BSQ scale, which is a modified version of the original SERVQUAL scale and specifically suits research conducted within the banking sector. It includes three dimensions from the SERVQUAL scale (assurance, tangibles and reliability) and three additional dimensions related to banking (access, price and service portfolio). This scale will be further tested (pilot study) in terms of validity and suitability for the effective measurement in Libyan banks.

7. The review of literature in Chapter Four found that private banks in Western and Asian countries outperform public banks in terms of customer perceptions of service quality, financial performance, productivity, efficiency, the growth of branch network business performance, organisational service orientation and managers' behaviour and practices. This research utilised this evidence as a base for developing the research hypotheses.

4.6 Chapter Summary

This chapter has given an historical view on retail banking; the structure of retail banking was also discussed followed by an overview of the differences between the private and public banks including their concerns and how they are controlled. By reviewing the literature on the issue of private banks versus public banks, this chapter accepted that private banks outperform public banks in a number of Western and Asian countries in terms of different business areas. The chapter connected the literature with the research question, and continued with an explanation of how the research hypotheses were developed. Finally, this chapter outlined the findings from the literature review, and guided the researcher in the development of the subsequent chapter on research methodology and methods.

Chapter Five

Research Methodology and Methods

Chapter 5: Research Methodology and Methods

5.0 Introduction

The nature and the type of research are very important factors in influencing the research design and also the selection the appropriate research philosophy (Saunders, Lewis and Thornhill, 2009).

The chapter starts with a presentation of the research study's question, objectives and hypotheses. Moreover, research epistemology and theoretical perspective, strategies and methods surrounding this research are explored. This includes a discussion of the nature and importance of research methods follows, and the chosen quantitative research methods available for data collection. Furthermore, the procedure employed to conduct the customers' survey is presented.

The research instrument chosen to measure perceived service quality in Libyan private and public banks is presented. The next section describes the method used for the scale pilot-testing, as well as the feedback which came from this pilot study.

A discussion follows on probability and non-probability sampling methods. This also includes the methods of sample size and population selection and the methods of data analysis. Finally, there is a discussion of ethical issues.

5.1 Chapter Objective

The purpose of this chapter is to discuss the research methods and methodology available to the researcher in order to answer the research question and address the research aim and objectives.

5.2 Research Question

The aim of this study centres on identifying if there are significant differences between the two banking sectors (private and public sectors) in terms of customer perceptions of service quality. Another aspect of this aim is to provide a clear picture of the actual levels of service quality of the Libyan private banking sector and public banking sector. It is possible to express the aim of the study in the following research question:

Are there significant differences in customer perceptions of service quality within the Libyan private and public banking sectors?

Providing valid and consistent answer to this research question requires the use of an effective scale with which to measure perceived service quality in the Libyan private and public banking sectors. Therefore the literature was reviewed to identify an effective

instrument for that particular purpose. This will help to answer the research question and to meet the research objectives.

5.3 Research Objectives

The main aim of this study is to identify if there are significant differences between the Libyan private and public banking sectors in terms of the perceived service quality levels.

This research also intends to address the following objectives:

1. To explore literature on the concept of service quality.
2. To examine various approaches in measuring service quality with a focus on banking service quality measurement.
3. To identify the actual levels of service quality provided to banks' customers in Libyan private and public banking sectors.
4. To identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.
5. To identify if the customer demographic characteristics are related to their banking sector (bank status).
6. To draw conclusions and recommendations that help Libyan banks in dealing with service quality issues.

5.4 The Research Hypotheses

The hypothetical assumptions will inform the basis of the current study, as this study will measure service quality levels in Libyan private and public banking sectors using BSQ scale. The BSQ scale originating from the earlier discussions in this research includes service quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio, and reliability found to be relevant in assessing and measuring service quality in retail banking as studied and identified within Chapter Three of this research in the work of Bahia and Nantel (2000). Therefore using these service quality dimensions in determining and assessing the actual levels of service quality in Libyan private and public banking sectors has allowed the researcher to develop and generate the research hypotheses based on BSQ dimensions as these six dimensions in total will touch and cover every service offered by the Libyan banks. Furthermore, addressing every dimension is vital in the case of banking. In this regard, the findings of the study of Kangis and Vouklatos (1997) indicated that banks should be looking carefully at each one of the services quality dimensions where customers perceive receiving different services. Moreover, looking at each one of the dimensions of service quality is more fundamental approach need to be considered (Parasuraman, Zeithaml and Berry, 1994; Hammer and Champy, 1994; Morris and Brandon, 1993).

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It therefore seems most appropriate to know if there are significant differences between the two types of banks related to service quality levels in a developing country such as Libya where the research is too limited. In other words, the researcher hypothesizes in this research that there are significant differences between the Libyan private and public banks in terms of service quality levels.

Based on the above view points and outcomes originating from reviewing literature in the area of the private banks versus public banks (see Chapter Four), the following hypotheses are formulated:

Hypothesis **1***:* There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the effectiveness and assurance dimension.

Hypothesis **2:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension.

Hypothesis **3:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension.

Hypothesis **4:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension.

Hypothesis **5:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension.

Hypothesis **6:** There is significant difference between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension.

Hypothesis **7:** There is significant difference between the Libyan private and public banking sectors with respect to all service quality dimensions taken together.

5.5 Overview of the Research Process

This research selects methods that could fit its nature and circumstances. Therefore, the researcher chose objectivism as epistemology, a positivism as approach or theoretical perspective, quantitative as strategy and survey questionnaire as method of data collection. Figure 5.1 shows elements of the research process for this study. Figure 5.2 illustrates a more detailed description of the research process.

Figure 5.1 Elements of the Research Process of this Study
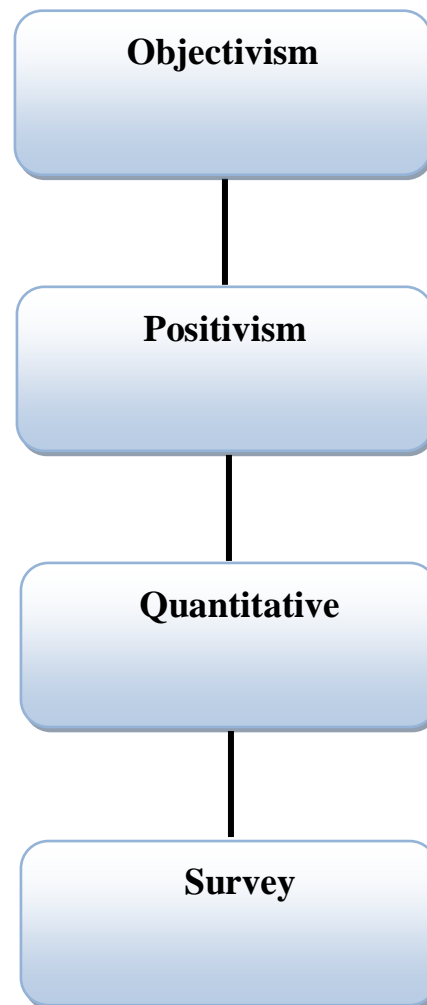
Figure 5.2 The Detailed Description of Research Process of this Study
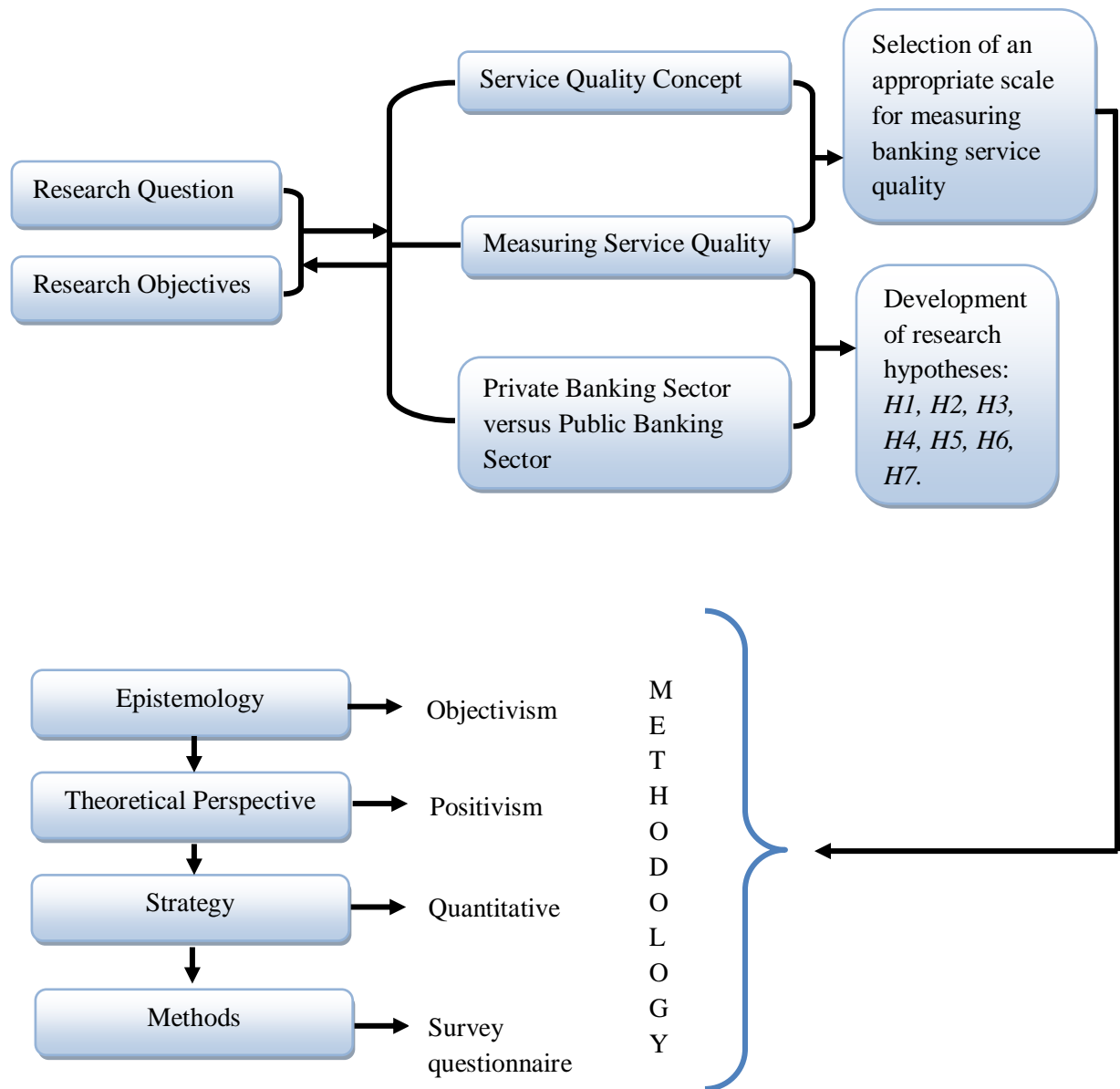
5.6 Elements of the Research Process

According to Creswell (2009), research design is the research process that includes the research potential and overall assumptions to the method of data collection and analysis. The selection of research design is informed by the research questions and objectives (Saunders, Lewis and Thornhill, 2009). The following four elements of research process (epistemology, theoretical perspective, methodology, and methods) as presented in Table 5.1, are generally described. In other words, the researcher will describe and discuss his own philosophical stance afterwards.

Table 5.1 Elements of Research Process

	Definition	Examples	Literature evidence
Epistemology	The assumption of Knowledge which is part of the methodology and how it is attained.	Objectivism, subjectivism constructivism	Creswell (2009) and Crotty (1998)
Theoretical perspective	The philosophical stance that informs the basis of methodology	Interpretive, positivism, postmodernism	Creswell (2009) and Crotty (1998)
Methodology	This refers to the reason for selecting a method and how this method is adopted	Phenomenological research, action research, survey research	Collis and Hussey (2003) and Crotty (1998)
Methods	The tools and techniques of date collection and analysis	Questionnaires, interviews, observations	Crotty (1998) and Saunders, Lewis and Thornhill (2009, 2007)

5.7 The Research Epistemology and Theoretical Perspective

Epistemology is "the theory of knowledge embedded in the theoretical perspective and thereby in the methodology" (Crotty, 1998, p. 3). Epistemology provides the researcher with the philosophical grounding that could help to decide what types of knowledge are adequate and legitimate (Crotty, 2006). Saunders, Lewis and Thornhill (2007, p. 102) add that "epistemology concerns what constitutes acceptable knowledge in a field of study." The same view was delivered by Bryman and Bell (2011); they argue that epistemology concerns what should be regarded as acceptable knowledge in a discipline. Therefore, it is vital to identify, justify and explain the epistemological stance the researcher intends to adopt (Crotty, 2006). This is because the epistemological stance influences the researcher's selection of methodology (Creswell, 2009).

According to Crotty (2006), there are three types of epistemology; these are objectivism, subjectivism and constructionism. Table 5.2 below describes the three types of epistemology.

Table 5.2 The Description of Objectivism, Subjectivism and Constructionism

Epistemology	Description	Literature Evidence
Objectivism	• Things can exist as meaningful entities. • Research can discover objective truth and meaning. • The researcher and the area being researched are independent. • It is mainly associated with a positivist approach.	Crotty (1998, 2006); Johnson and Duberley (2000); Collis and Hussey (2003).
Subjectivism	• Social phenomena are created from the perceptions and consequence actions of social actors. • The research is not separated from what it is being researched. • It is mainly associated with an interpretivist approach.	Saunders, Lewis and Thornhill (2009); Johnson and Duberley (2000); Collis and Hussey (2003).
Constructionism	• It assumes that social phenomena and their meanings are continually being accomplished by social actors. • There is no objective truth the research can discover. • The meaning is not discovered but constructed.	Bryman and Bell (2011); Crotty (2006).

According to Crotty (1998, pp. 5-6), objectivism is "the epistemological view that things exist as meaningful entities independently of consciousness and experience, that they have truth and meaning residing in them as objects (objective truth and meaning therefore) and that careful (scientific) research can attain that objective truth and meaning." It can also be argued that objectivism is considered as a system of knowledge resulting from the interaction with a social and physical environment (Crotty, 1998). This in fact supports the view that undertaking planned and logical research, to know and understand what is assumed as fact about the world around us, can help to establish the assumptions of knowledge as accurate or false. However, objectivism is underpinning the positivist stance and may involve the use of survey questionnaires and quantitative methods of statistical analysis (Crotty, 1998).

Keeping the above points in mind, this research is concerned with understanding knowledge as objective proof of hypothetical statements/assumptions (the research hypotheses). Moreover, the area under research is based on the opinions of the banks' customers (service

quality assessment), and this clearly suggests that the researcher is indeed separated from the area under research; hence his opinions and views cannot influence the research. Accordingly, the researcher believes that objectivism is the appropriate epistemological stance that could help him to effectively understand the research and thus address the research objectives.

With regard to the theoretical perspective, there are two major philosophical stances; these are positivism and interpretivism (Collis and Hussey, 2003). Interpretivism is "a term given to a contrasting epistemology to positivism" (Brayman and Bell, 2007, P. 17). Table 5.3 below compares the two approaches.

Table 5.3 Comparison of the Two Major Philosophical Stances

	Positivist	Interpretivist
Assumptions	Objective world which science can measure and 'mirror' with privileged knowledge.	Intersubjective world which science can represent with concepts; social construction of reality.
Aim	To discover universal laws that can be used to predict human activity.	To uncover the socially constructed meaning of reality as understood by an individual or group.

Source: Adapted from Cavana, Delahaye and Sekaran (2001, p. 10).

Researchers in different fields of studies have focused to identify the origins of the positivist approach to research and link the name of the founder to it. In this regard, Crotty (1998, p. 19) has pointed out that "the coining of the word 'positivism' is often attributed to Auguste Comte" (Crotty, 1998, p. 19). However, this view has its dissenters; some researchers believe that the positivist approach pre-dated Comte (Crotty, 1998), although he made it more popular than any other researcher of his time. Crotty (1998, p. 20) also summarised the fundamental idea behind positivism by saying that it is an attempt to study and obtain "knowledge that is not arrived at speculatively but is grounded firmly and exhaustively in something that is posited". It can be also noted that positivism from Comte's point of view is about the practice related to research (the search for true knowledge) embracing flexibility yet remaining homogenous. However, according to Comte's opinion, positivist approach is a process of arriving at research conclusions through planned, organised, convinced activities and not by mere assumptions (Crotty, 1998).

Positivism usually adopts quantitative methods reliant on hypotheses testing for generalisation from the sample (tend to be large) of the population, and usually uses survey to produce the findings (Collis and Hussey, 2003). Bryman and Bell (2011, p. 15) argue that in a positivist approach "the purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed". It is also concerned with empirical science and suggests that scientific knowledge is objective, certain and accurate (Crotty, 2006), which in fact explains that positivism in social sciences can be concluded in a specific way just like natural sciences (Collis and Hussey, 2003). Therefore, it is sometimes seen as a scientific method (Creswell, 2007), based on facts or causes because it comes from facts which can be observed or experimented (Collis and Hussey, 2003). More importantly, it fundamentally forms the social science basis and it helps us understand the world after it provides us with the required knowledge (May, 2001).

This research adopts positivism as theoretical perspective for planned and organised research activities, strategies and research findings and conclusions. This research is based on hypotheses testing; since it assumes that there are significant differences between the Libyan private and public banking sectors in terms of customer perceptions of service quality. Many researchers focusing on service quality have followed a positivist approach because of the complex nature of service quality (Schembri and Sandberg, 2002). The developers of SERVQUAL (the best known researchers in the area of service quality) scale have also used a positivist approach in their studies of service quality (Parasuraman, Zeithaml and Berry, 1998). More precisely, Ladhari (2008) reviewed 30 service quality scales, and pointed out that all the researchers had adopted a positivist approach. For these reasons, the researcher believes that positivist is the most suitable approach in order to reach the research findings and conclusions.

5.8 Issues of Research Methodology and Methods

5.8.1 The choice of research strategy

As mentioned earlier, the choice of research strategy is always informed by the type and the nature of the research one is conducting. Furthermore, the choice of research strategy needs to "employ research strategies most appropriate to the circumstances surrounding any given study" (Davidson 2001 cited in Ogba, 2007, p. 100). Therefore, this research will employ the strategies which accommodate its needs, and also assist in:

1. Developing and testing hypotheses
2. Helping to measure the perceived service quality quantitatively in Libyan private and public banking sectors.

This is because the research is centred on banking service quality and its measurement.

5.8.2 Quantitative versus qualitative research methods

Going through the research design process, it is vital to decide is whether to use quantitative strategy, qualitative strategy or both (mixed methods).

Quantitative research is a research strategy that centres on quantification in the collection and analysis of data, while qualitative research can be construed as a research strategy that usually centres on words in data collection and analysis (Bryman and Bell, 2007). Similarly, Blumberg, Cooper, and Schindler, (2008) suggested that quantitative research relies on numbers and figures (quantitative information), while qualitative research bases its accounts on words, sentences and narratives (qualitative information). The same view was delivered by Saunders, Lewis and Thornhill (2007), who distinguished between quantitative and qualitative research by defining the former as research focused upon numeric (numbers) or non-numeric (words). Also they stated that (p. 145):

> Quanitative is predominantly used as a synonym for any data collection techniques (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numerical data.

Bryman and Bell (2007) have presented in their textbook the fundamental differences between quantitative and qualitative research strategies as shown below:

Table 5.4 Fundamental Differences between Qualitative and Qualitative research Strategies

	Quantitative	Qualitative
Principal orientation to the role of theory to research	Deductive; testing of theory	Inductive; generation of theory
Epistemological orientation	Natural science model, in particular positivism	Interpretivism
Ontological orientation	Objectivism	Constructionism

Source: Bryman and Bell (2007, p. 426)

However, there are certain assumptions which underlie quantitative and qualitative methods (Dobbin and Gatowski, 1999). In quantitative research, reality is the point that can objectively be studied; it is independent of and objective to the researcher, and therefore the researcher should be independent of and remain distant from what is being measured and studied.

Conversely, in qualitative research multiple realities are taking place within any given situation, influencing the research, the individuals under investigation and the reader interpreting the results. In conducting the research, the researcher also strives to reduce the distance between the researcher and those individuals being researched or interviewed.

Gronssnickle and Raskin (2001) have identified certain strengths and limitations for quantitative research as shown in the Table 5.5 below:

Table 5.5 The Strengths and Limitations of Quantitative Research

Strengths	Limitations
▪ *Reliable*: the results of quantitative research are an accurate representation of the population being studied, when it is done correctly. ▪ *Large Scale*: quantitative research also necessitates the standardisation of questionnaires and interview techniques; they can easily cross geographical boundaries and respondents from the entire target population can be involved. ▪ *In-depth analysis*: statistical analysis techniques can be implemented with quantitative data, from simple statistics such as averages or frequencies, to more complicated statistics such as factor analysis, conjoint analysis and cluster analysis. ▪ *Replicable and tractable:* in quantitative research, results would be nearly identical if identical studies were conducted concurrently among the same population.	▪ *Limited for explorations*: in the quantitative research, the methods of questionnaires and interviewing techniques tends to test the predetermined hypotheses only, therefore some potentially interesting spontaneous or tangential responses may be excluded or missed. ▪ *Response to innovative concepts*: it is much more beneficial and valuable when it is conducted for the purpose of understanding the established concepts, because it is challenging to convey innovative concepts to interviewees. ▪ *Accessibility*: quantitative data is an abstraction and it is difficult to interpret. ▪ *Potentially misleading*: quantitative research can be affected (regarding its legitimacy) by many factors, e.g. questionnaires can include data collection methods which can introduce bias. ▪ *Neglects self-reflection*: quantitative research treats people as if they were part of the "natural world" and neglects important issues such as self-reflection (a special feature of humans). ▪ *Static*: one of its limitations is that quantitative research captures only a static view of life.

Source: Gronssnickle and Raskin (2000, p. 86)

With regards to qualitative research, Grossnickle and Raskin (2001) have also identified some strengths and limitations for qualitative research as provided in the Table 5.6 below:

Table 5.6 The Strengths and Limitations of Qualitative Research

Strengths	Limitations
▪ *Ideal exploratory tool*: qualitative research presents flexibility of investigation when benefiting from having direct access to customers' views and ideas. ▪ *Increases the value of subsequent quantitative research*: it can be taken as an excellent planning tool before engaging in more sophisticated and expensive quantitative research. ▪ *Provides deep feedback rather than just number crunching data*: it may be good for providing a much richer insight than data-centric methods and also a context for interpreting the findings. ▪ *Group dynamics enhance results*: participants can interact with each other and thus draw out opinions and ideas that might not have come up in one-to-one situations. ▪ *Provides the human perspective*: the results which emerge from qualitative research are more accessible and understandable.	▪ *Small number of participants*: involving large number of participants in this research would be prohibitively costly. ▪ *Representativeness of results*: as this research uses small samples, it is rarely completely representative and the possibility exists that respondents' characteristics are significantly different from the rest of the population. ▪ *Selective data interpretation*: researcher's bias can be involved through his or her selective data interpretation that will lead only to support the researcher's theoretical conclusion. The researcher might also intend to interpret the data through his or her introspection, feelings and thoughts. ▪ *Inability to track small differences:* generally, marketing successes and failures are caused by small differences in a marketing mix, and qualitative research does not satisfactorily distinguish these small differences.

Source: Gronssnickle and Raskin (2000, p. 51)

In addition, the differences between quantitative and qualitative research methods based on the view of Martella, Nelson and Martella (1999) are presented in the Table 5.7 below:

Table 5.7 Differences between Quantitative and Qualitative Research Methods

Quantitative Research	Qualitative Research
▪ Primary purpose is to determine cause-and-effect. Primary purpose is to describe on-going relationships.	▪ Primary purpose is to describe on-going processes.
▪ Precise hypotheses are stated before the start of the investigation; theories govern the purpose of the investigation in a deductive manner.	▪ Hypotheses are developed during the investigation; questions govern the purpose of the investigation; theories are developed inductively.
▪ The independent variable is controlled and manipulated.	▪ There is no specific independent variable; the concern is to study naturally occurring phenomena without interference.
▪ Objective collection of data is a requirement.	▪ Objective collection of data is not a requirement; data collectors may interact with the participants.
▪ Research design is specified before the start of the investigation.	▪ Research design is flexible and develops throughout the investigation.
▪ Data are represented and summarised in numerical form or verbal form.	▪ Data are represented and summarised in narrative numerical form or verbal forms.
▪ Reliability and validity determined through statistical and logical methods.	▪ Reliability and validity determined through multiple sources of information (triangulation).
▪ Samples are selected to represent the population.	▪ Samples are purposefully selected or single cases are studied.
▪ Study of behaviour is in the natural or artificial setting.	▪ Study of behaviour is in the natural setting.
▪ Use of design or statistical analyses to control for threats to internal validity.	▪ Use of logical analyses to control or account for alternative explanations.
▪ Use of inferential statistical procedures to demonstrate external validity (specifically, population validity).	▪ Use of similar cases to determine the generalisability of findings (logical generalisation), if at all.
▪ Rely on research design and data gathering instruments to control for procedural bias procedural bias	▪ Rely on researcher to come to terms with procedural bias.
▪ Phenomena are broken down or simplified for study	▪ Phenomena are studied holistically, as a complex system.
▪ Conclusions are stated with a predetermined degree of certainty	▪ Conclusions are tentative and subjected to ongoing examination.

Source: Martella, Nelson and Martella, (1999, p. 266)

In accordance with the above discussion, the researcher believes that the use of quantitative strategy in the present research study is appropriate and suitable for answering the research question and addressing the research objectives.

5.8.3 Justification for using a quantitative strategy in the present research study

As noted earlier, the selection of research strategy, methodologies and methods is dependant upon the type and the nature of research one is conducting. In view of this, the use of quantitative strategy was judged completely appropriate. This because firstly, the research involves (as earlier noted) the measurement of service quality in banking and this requires that a considerable percentage of a population (a large number of participants) be involved; therefore, this activity may not be perfectly conducted using qualitative methods. Secondly, the literature evidently supports the conclusion that the appropriate strategy for understanding and measuring service quality in banking is quantitative approach using a survey questionnaire (Jabnoun and Al-Tamimi, 2003; Guo, Duff and Hair, 2008; Arasli, Katircioglu and Mehtap-Smadi, 2005; Bahia and Nantel, 2000; Petridou, *et al.*, 2007; Glaveli *et al.*, 2006; Spathis, Petridou and Glaveli, 2004).

The above argument therefore justifies the adoption of positivism and the adoption of a quantitative research strategy through survey questionnaire to investigate banking service quality in Libya.

5.8.4 Categories of research design

Marketing research can be categorised into three types (Smith, 1998):

1. *Diagnostic/ Exploratory Research*: this kind of research is mainly about the discovery of insights and ideas;
2. *Descriptive research*: where the research is focusing on describing the attitudinal and behavioural characteristics of a particular group; and
3. *Causal Research*: this research is concerned with identifying and determining the exact cause and effect of particular relationships.

However, this research study can be linked with two of these types. It is diagnostic in nature since it intends to identify areas of weakness and strengths in the service quality in Libyan retail banks through customers' ranges of attitudes; further, it is descriptive in nature as it intends to build assessments of service quality profiles of customers based on the main bank they deal with.

5.9 Methods of Data Collection: Quantitative Survey (questionnaire)

The study will depend on BSQ scale to measure customers' perceptions of service quality in Libyan private and public banking sectors. This scale (Banking Service Quality) was developed by Bahia and Nantel (2000) and was designed specifically for measuring service quality in the banking environment. This scale formulates the questionnaire used in this

research, which was distributed to the banks' customers based on the targeted sample size. Thus, quantitative method and survey questionnaire strategy were adopted in this study to collect the data from respondents.

Unlike a qualitative strategy, a quantitative strategy is mostly devoted to offering and exploring the relationship between variables (two or more) depending on the hypothetical research statements. Aaker, Kumar and Day (1995, p. 199) pointed out that "survey is the overwhelming choice of researchers for collecting primary data". According to Trochim (2001), survey research is commonly used over the years and it has remained amongst the most imperative strategy for measurement-based research in organisational, applied and social science research. Furthermore, a survey is usually a method to collect quantifiable data from participants in order to measure, examine, analyse and generalise the findings (Zikmund and Babin, 2010), and also it is "a research technique in which a sample is interviewed in some form or behaviour of respondents is observed and described in some way" (p. 64). Surveys are commonly linked to deductive logic and by using it, data can be collected from the sample and statistically analysed (Saunders, Lewis and Thornhill, 2007).

Surveys usually identify the participants' perceptions in terms of attitudes, opinions and beliefs; they also enable the understanding of consumer preferences (Fowler, 2002). More precisely, "survey research... is the method of collecting information by asking a set of preformulated questions in a predetermined sequence in a structured questionnaire to a sample of individuals drawn so as to be representative of a defined population" (Hulton, 1990, p. 8). Therefore, survey research is "associated as research approach with the idea of asking groups of people questions" (Blaxter, Hughes, and Tight, 2001, p. 77). These questions should be logical and follow a certain order that allows participants to express facts, attitudes and comments (Hague, 2002). The latter also mentioned that by using a survey, information can be collected from respondents by making face to face contact, sending the questionnaire by post, making telephone calls or using other methods of data collection. Additionally, the survey questions should be organised in a way that make it easier for respondents to follow (Saunders, Lewis and Thornhill, 2007).

However, Saunders, Lewis and Thornhill (2007) have identified a variety of factors which influence the election of questionnaire strategy:

- Respondents' characteristics from whom the data will be collected.
- Importance of obtaining a particular person as respondent.
- Importance of the answers provided by respondents.
- Size of sample required for the analysis process, taking into account the response rate.
- Types of question needed for data collection.

- Number of questions required to be asked to collect the data.

Furthermore, the selection of questionnaire will be influenced by the following resources (Saunders Lewis and Thornhill, 2007):

- Time available for completing the data collection.
- Financial resources available for data collection and entry.
- Availability of interviewers that will assist in the data collection process.
- How easy is the automation of data entry.

In line with the above argument, the survey questionnaire is the most commonly used method for collecting data in the field. It is important to note that a quantitative questionnaire is referred to and supported within similar studies (measuring service quality in banking) in the literature (Jabnoun and Khalifa, 2005; Kangis and Voukelatos, 1997; Karatepe, Yavas and Babakus, 2005; Lassar, Manolis and Winsor, 2000; Newman and Cowling, 1996; Othman and Owen, 2001). For instance, the research of Ladhari (2008) reviewed 30 different service quality studies and it found that the quantitative method (survey questionnaire) was the main approach for data collection. Furthermore, the use of survey questionnaire within a wide range of service industries was also supported by the Marketing Team (Parasuraman, Zeithaml and Berry, 1988; 1991; 1994).Therefore this research adopts a quantitative strategy in the form of a research questionnaire.

5.9.1 Research scale and data collection method

As noted earlier, the scale used for measuring the perceived service quality in Libyan private and public banking sectors was Banking Service Quality (BSQ) Scale developed by Bahia and Nantel (2000). The BSQ scale was preferred to SERVQUAL model. The Banking Service Quality scale (BSQ) used in this research study consists of 31 items of service quality relevant to the banking sector (retail banking). These 31 items are distributed across six dimensions: effectiveness and assurance; access; price; tangibles; service portfolio; and reliability (see Figure 3.3 in Chapter Three).

However, BSQ scale was chosen in this research instead of SERVQUAL scale to measure the perceived service quality in Libyan private and public banking sectors for the following reasons:

- The BSQ scale deals exclusively with the perceived service quality within the special context of retail banking, thus it is the standard scale that was designed specifically for measuring service quality in a banking environment (Petrido *et al.*, 2007; Glaveli *et al.*, 2006), and this is not the case with SERVQUAL scale which was designed to measure service quality within a wide range of service industries (universal scale).

- The item's inclusion in the different dimensions of the BSQ construct was much more consistent when it was piloted in this research study (see section 5.10). The SERVQUAL model was criticized regarding its dimensions and items (Babakus and Boller, 1992; Cronin and Taylor, 1992; Carman, 1990; Brady and Cronin, 2001; Teas, 1994).

- SERVQUAL dimensions were all included in Dim1 which is independent from the other dimensions of the BSQ, and also these other dimensions were completely independent from the dimensions of SERVQUAL, except for Dim 2 which is correlated with the first dimension of SERVQUAL (Bahia and Nantel, 2000). This in fact confirms that the BSQ incorporates the particularities of service quality in the banking sector.

- The six dimensions of the BSQ scale cover a broader range of marketing variables (Guo, Angus and Hair, 2008) than is the case with the original SERVQUAL dimensions.

- The three main problems related to SERVQUAL model which are its dimensionality, its universality, and the use of an expectation-perception disconfirmation approach, are completely avoided in the case of the BSQ model.

The above therefore proves for the researcher that the perceived service quality levels in the Libyan private and public retail banks can be effectively measured by using the modified SERVQUAL model, which is the BSQ scale comprising 31 items distributed within six dimensions.

In order to obtain the relevant answer to the research question, the questionnaire was developed. This questionnaire consisted of two parts. The first part contained the 31 items from the original BSQ model (Bahia and Nantel, 2000). The second part aimed to build the demographic profile of the customer sample in terms of gender, age, profession, number of branch visits, and the duration of their relation with the bank. This demographic information was requested for last in order to allow respondents to answer the vital information (service quality questions) with a fresher mind. For measuring perceptions of service quality, respondents (banks' customers) were asked to indicate the degree to which their bank satisfied the described statements (questionnaire items).

This research will use only perceptions scores to identify the service quality levels, because the gap score has been criticised for the use of an expectations construct (Carman, 1990; Babakus and Boller, 1992), plus the superior predictive and convergent validity of the perception-only scores has been supported (Cronin and Taylor, 1992; Dabholkar, Thorpe and Rentz, 1996), especially in the banking sector (McDougall and Levesque, 1994).

Similar to most service quality studies, a Likert scale was employed for the purpose of this research study. The seven-point Lirket scale is widely and recently used by academics. The literature supports the view that there is a positive relationship between number of scale points and scale reliability (Dillon, Madden and Firtle, 1990; Malhorta, 1996). Furthermore, Malhorta (1996) argues that if sophisticated statistical techniques are used in a study, then seven or more categories are desired. Therefore, in this research respondents were asked to rate each item on a Likert-type scale by assigning a value of 1= (strongly disagree) to 7= (strongly agree), as suggested by Bahia and Nantel (2000).

Before distributing the questionnaire to the banks' customers, all concerns about using BSQ cross-culturally were considered. The scale therefore was piloted in order to identify any obstacles which might obstruct the collection of required data. Accordingly, it was slightly amended. The corrections mainly concerned the phrasing of some of the scale statements. The pre-test of the scale (pilot study) is discussed in detail in the next section. After the pilot study, the questionnaire was amended and prepared in its final version (see Appendix 2).

For investigating the levels of service quality provided by the private and public banking sectors in Libya, questionnaires were distributed to the banks' customers with a non-probability convenience sample size of 1000 questionnaires for each banking sector, giving a total of 2000 questionnaires. The sample size concerns and issues are discussed in section 5.11.

Given the timeline of this research study, data collection was decided to be collected within four months time. To avoid any confusion as regards the data collection, the researcher decided to collect data from each banking sector separately, starting with the private sector which comprised two banks within four branches. This means that two months were allotted to collect data from each banking sector. Accordingly, the researcher decided to collect data from each bank branch over a two weeks period. 370 usable questionnaires were collected from private banks within two months, with care to consider equal distribution between the four branches in terms of the number of questionnaires, then the researcher moved to public banks using the same approach, and he continued collecting data until he collected 370 usable questionnaires within 65 days. It can therefore be noted that because of limitations in timing, 370 questionnaires were collected from a total of 1000 questionnaires administered to each banking sector with 37% response rate. The data collection was carried out over a period of 125 days within the months of November, December 2009 and January, February, March 2010.   The questionnaire was administered by face-to-face contact. According to Saunders, Lewis and Thornhill, (2007, p. 234), convenience sampling "involves selecting haphazardly those cases that are easiest to obtain for your sample". Therefore, in this research, respondents were selected haphazardly in the banks' branches, further, in order to overcome the problems related to participation refusals in the survey, the researcher selected

the next customer available who was willing to participate in the research, and thus the sample selection process was continued.

As mentioned above, the questionnaires were administered by face-to-face contact and in accordance with the convenience sampling procedure, (approaching customers based on their availability in the banks' branches).

Keeping the above points in mind, the researcher distributed the survey to customers who were willing to participate. The researcher provided the participants with a short introduction informing them of the purpose of the research, also requesting they read the introductory letter attached to the questionnaire, which gave further information in greater detail. After accepting the questionnaires the banks' customers were asked to complete them in the area of the branch set aside for this purpose.The researcher waited inside the bank in order to collect the completed questionnaires and observed that the time taken to complete the questionnaire ranged between 11-15 minutes.

The choice of administering the questionnaire by face-to-face contact was based on the following considerations:

- Face to face contact is the most effective method to collect data by questionnaires in the less-developed countries (Kumar, 2000).
- It yields high percentages of acceptable returns and has a relatively low refusal rate (Saunders, Lewis and Thornhill, 2007).
- Libyan people have a good experience of using questionnaires by face-to face contact rather than using telephone or e-mail survey. This is because many institutions and organisations in education and other business sectors commonly adopting the same method of survey (face-to-face).
- The Libyan post system is still facing many problems regarding numbering and coding the streets and buildings, which prevent administering questionnaire by post.
- Internet surveys are still of limited use in Libya given the small number of internet users.

5.10 Scale Pilot-testing

The stage of data collection should never begin without adequate pre-test of the content and physical appearance of items (Dillon, Madden and Firtle, 1993; Malhorta, 1996; Churchill, 1995). The pilot-testing of scale items is considered as testing items on a small sample for the purposes of improving these items by identifying and eliminating potential problems (Malhotra, 1996). In other words, it helps to identify those items which were perceived by

pilot respondents as ambiguous and to encourage them to provide any suggestions or comments that could improve the response as well as the general quality of the survey.

In this research the items and dimensions of the scale (Banking Service Quality Scale) were developed by the available literature (Bahia and Nantel, 2000), and were tested in two stages. Firstly, the draft questionnaire was piloted among the Libyan students at Northumbria University in the UK. At this stage care was taken to choose students who already have bank accounts in Libya whether in private or public banks. The literature provides support for pre-assessment of the questionnaire items by friends and colleagues. For instance, Buckingham and Saunders (2004, p. 84) state: "the easiest way of testing it out is on friends and colleagues. This pre-test will help you judge how long the questionnaire takes to complete and it should throw up any obvious problems in question wording or accompanying instructions".

There is no doubt that the purpose of piloting the questionnaire according to Reeves and Harper's (1981) view, is to make the researcher more familiar with potential problems of data collection and also with dangers of social desirability bias and interviewer bias governing the survey. Furthermore, the questions which cause problems as a result of the classification or translation can be identified. Errors in the instructions given to respondents and errors in wording can also be discovered and corrected. Finally, the length of the survey in terms of the number of questions and the time needed to complete can be checked and managed.

The research to identify customers' perceptions about service quality levels in Libyan retail banking (private and public banking) forms the main area of investigation of this research study. Based on a theoretical background of service quality, the researcher prepared a version of the BSQ scale (see Appendix 2) developed by Bahia and Nantel (2000), as this scale will be used for measuring service quality in Libyan banks.   In this research, the purpose of the pre-testing exercise is mainly to refine the scale items in terms of wording after translating it into Arabic language, and also to identify any other problems as mentioned above. Prior to conducting the pilot test, the questionnaire was translated by professionals from English to Arabic (see Appendix 4) in order to enable respondents of the pilot study and thereafter Libyan banks' customers to participate in the research. The Arabic version of the questionnaire was translated into the English language using the same layout (see Appendix 5), following the back translation procedure (Craig and Douglas, 2005). The main purpose of applying back translation is to make sure that all idioms and local expressions were properly addressed, and to improve translation equivalence. Moreover, "both verbal and nonverbal instruments need to be translated so that they can be used in different linguistic and cultural contexts" (Craig and Douglas, 2005, p. 254).

Prior to conducting the pilot study, the researcher designed a guide for the interviews in the two stages with a predetermined set of goals to be met:

- Assessing the wording of items (wording difficulty) included in the questionnaire.
- Assessing whether or not it is necessary to eliminate any item(s).
- Examining the need for generating additional items that had not been provided by the current scale.
- Assessing the importance of the six service quality dimensions included in the scale in relation to bank services.
- Testing the appropriateness of the sequence and layout of the questionnaire items.

For this purpose, the respondents were asked to comment upon anything that they felt would improve its quality in terms of understanding and response. In this pilot study, twelve Libyan students from Northumbria University in the UK were interviewed; the need for personal interviews was imperative since the subject of questioning required personal interaction with the participant and concerned their views, opinions and comments. Accordingly, a copy of the questionnaire was handed out to each participant, and the researcher gave a brief introduction as to the purpose of the survey as well as the interview to be conducted. Each participant was asked to assess the questionnaire after which he was asked to assess the wording of each item and to state any problems he encountered while reading the statements in terms of wording difficulty and readability. Each participant was also asked to provide any additional items which had not been included in the questionnaire, and also to supply remarks related to the items which needed to be eliminated from the questionnaire based on their personal views. Moreover, each respondent was asked to contribute their experience and knowledge to attribute the appropriateness and importance of the six service quality dimensions in complimenting banking services. The comments or suggestions provided by each respondent were noted separately.

Secondly, after reviewing responses from the first stage, certain questions/ items in the pilot survey questionnaires were identified. The questionnaire was again reviewed with twelve bank customers in Libya (six customers from private banks and six customers from public banks) to note their reactions and viewpoints towards these items in this questionnaire. This procedure also complements the views of Dobbin and Gatowski's (1999) and Zikmund *et al.* (2010). They suggested that in pre-test or pilot, the proposed survey is distributed to a small number of people who are very similar to the people who would be participating in real study, as each participant from amongst a banks' customers has a bank account in one of the Libyan banks, whether private or public. The customers were interviewed separately to discuss the questionnaire using the same guidance as in the first stage; the only exception was that they were asked to complete the questionnaire and were observed carefully from beginning to end without interruption to estimate the average time required for answering the

whole questionnaire (Reeves and Harper, 1981). After completing the questionnaire, they were asked to comment upon its user-friendliness in terms of the clarity of the instructions provided in the questionnaire. At this point, discussions were also initiated to ensure that the respondents understood each item clearly. It was observed that the average time taken to complete the questionnaire ranged between 10 and 14 minutes. Feedback received from each respondent was clearly noted.

The first stage of the pilot study was carried out in October 2009, while the second stage was carried out in November 2009. In the two stages, each interview lasted between 35 and 55 minutes including receiving the feedback from the respondents. After the completion of the interview, each participant was asked to sign the research participant consent form. A digital voice recorder was used to capture these interviews.

It can therefore be argued that the main purpose of conducting these interviews is to evaluate the BSQ questionnaire that would be used for measuring service quality levels in Libyan banks. This evaluation was based on the above goals as a scale pilot-testing, in order to rectify any possible errors which could affect the data collection, and thus the results or findings. However, the main data collection in this research is based on quantitative methods using survey as a strategy. It can therefore be argued that conducting interviews in this stage (pilot study) serves only to validate the survey (Wass and Wells, 1994).

5.10.1 Feedback from pilot study

At each stage the questionnaire was amended. The 31 items appearing in the questionnaire given to interviewees were classified into six dimensions as identified by Bahia and Nantel (2000) and presented below. Highlighted items denote the ones that need to be reworded as a result of the subsequent discussion with participants.

A. Effectiveness and assurance (13 items)
A1- The behaviour of the employees in the bank instils confidence
A2- Bank employees go out of their way to make regular customers feel like very important customers.
A3- The bank places great importance on customers' confidentiality
A4- Bank personnel have reasonable valorisation
A5- The bank monitors the service performance to avoid interruption of the service
A6- The bank has well-trained personnel
A7- Bank personnel have the knowledge to answer your questions
A8- No contradictions in decision between personnel and management in this bank
A9- The bank provides its services at the time it promises to do so
A10- The bank has a good reputation
A11- You feel secured and safe in your transactions with bank's employees
A12- No delays due to bureaucratic factors and procedures in this bank
A13- The bank shows high quality indications

B. Access (5 items)

B1- The bank has sufficient number of ATMs per branch

B2- The bank has the latest technology and the modern-looking equipment

B3- The bank has sufficient number of open tellers

B4- Waiting time at the counter is short in this bank

B5- The queues in this bank move rapidly

C. Price (5 items)

C1- The bank contacts me every time it is useful

C2- The bank provides good explanations of service fees

C3- The bank makes balance amount from which service charges begin

C4- The bank takes reasonable fees for the administration of the accounts

C5- The bank is keeping customers informed every time that a better solution appears for problem.

D. Tangibles (4 items)

D1- The bank provides precision account statements for customers

D2- The bank provides good level of the cleanliness of facilities

D3- The bank facilities are well-decorated

D4- The bank has efficacious work environment

E. Services portfolio

E1- The bank offers complete gamut of services

E2- The bank offers range of services that are consistent with the latest innovation in banking services

F. Reliability

F1. The bank identifies and rectifies any errors in service delivery

F2. The bank has precision of filing system

The feedback from participants assisted the researcher to meet objectives by:

- Reformulating items where a simple item rewording could improve the questionnaire administration.

- Assessing if it is necessary to eliminate any item that has no clear mode, and was not considered relevant.

- Assessing if it is necessary to generate additional items which were not provided in the questionnaire.

- Evaluating the importance of the six service quality dimensions included in the questionnaire in relation to banking services.

- Assessing the items' layout and sequence.

- Finalising a set of items to measure the perceived service quality in Libyan banks through rewording, addition, or elimination of the scale items.

The feedback from the pilot study confirmed the importance of the 31 items included in the scale, thus no item was eliminated. However, the wording for certain items (A2, A4, A13, B4, C4, D2, D3, and E2) was revised to better capture their true meaning (see Table 5.8). Moreover, interviewees saw no need to include any additional items in the scale, since they considered that the existing ones constituted a satisfactory comprehensive set for measuring banking service quality. They also had no problems with the items' layout and sequence. Finally, the participants' assessment of the six service quality dimensions in relation to banking service quality was positive.

After the pilot study, all changes were made to the questionnaire. Despite, different established scales were used to measure most of the contrasts, the majority of these scales were modified and adapted in order to effectively understand and suit the context being studied (Rust, Zahorik and Keiningham, 1996). As noted above, some of the scale items were re-phrased based on the participants' suggestions in order to obtain a clear understanding. This was because a clear understanding of the items was felt to be of utmost importance to encourage a large and effective response (Aaker, Kumar and Day, 1995). At this point, the questionnaire was finalised after being approved by the pilot respondents (see Appendix 3). However, the literature clearly supported this kind of procedure (Petridou *et al*., 2007; Glaveli *et al*., 2006; Spathis, Petridou and Glaveli, 2004).

Table 5.8 The Revised Items of the BSQ Scale

The original item	The item after the revision
A2- Bank employees go out of their way to make regular customers feel like very important customers.	Bank employees pay more attention to regular customers to make them feel they are very important customers.
A4- Bank personnel have reasonable valorisation.	Bank personnel are appropriately valorising the services provided to the customers.
A13- The bank shows high quality indications.	The bank shows high quality indications within the delivered services.
B4- Waiting time at the counter is short in this bank.	Waiting time at the counter of cashier and customer services is short in this bank.
C4- The bank takes reasonable fees for the administration of the accounts.	The bank takes reasonable fees for administrating the customer's financial accounts.
D2- The bank provides good level of the cleanliness of facilities.	There is a good level of the cleanliness of contents of the bank building.
D3- The bank facilities are well-decorated	The bank is well-decorated in terms of building, tangibles, and furniture.

E2- The bank offers a range of services that is consistent with the latest innovation in banking services.	The bank offers a range of services which match the advanced and latest banking services in the world.

5.11 Sampling Plan

This section discusses the sampling plan employed to obtain the sample for the study. Therefore, the sampling methods will be discussed. Once the sampling method is decided, the sampling procedure, sample size, and sampling choice, location and unit will be highlighted.

Sampling methods and sampling size concerns are mostly complex and require careful considerations because the wrong sampling procedure could leads to research errors and biasness (Zikmund, 1997). According to Burns and Bush (2010), sample size has an impact on how the sample findings accurately represent the population. It was supposed that any chosen sample size is not expected to be completely representative of the population from which it is drawn, therefore it is not expected that two samples drawn from the same population would be exactly alike. Accordingly, one would expect to see in the sample drawn from the population some sort of error to a certain degree, which can be referred to as a sampling error. Saunders, Lewis and Thornhill (2009) argue that the larger the sample is, the more likely that the generalisations are an accurate reflection of the population. There are also a number of factors that can affect the sample sizes such as time and money available for data collection (Hair, 2006), and the statistical analysis that the researcher intends to use (Saunders, Lewis and Thornhill (2009). Generally, there is an agreement among the authors of statistical books that the larger the sample the more appropriate for factor analysis (Pallant, 2007). In this context, Hair (2003) proposed that any sample size of more than 100 is appropriate for factor analysis and he also suggested that sample size should be five times the number of variables included in the questionnaire. The number of variables used in the study is thirty one; therefore any sample size greater than 155 is appropriate.

An important issue in the research is to determine the sampling procedure properly in order to collect the required data. Sampling is the procedure of selection of individuals who will participate in the research to provide the required data. This sampling procedure calls for three dimensions (Koltar and Armstrong, 1996):

1. *Sampling unit*. This answers who is to be surveyed?

2. *Sample size*. This answers how many people should be surveyed?

3. *Sampling procedure*. This answers how should the respondents be chosen?

Basically, the sampling methods can be categorised into probability sampling and non-probability sampling (Saunders, Lewis and Thornhill, 2007; Craig and Donglas, 2005; Malhorta, 1996; Churchill, 1995; Parasuraman, 1991), each of which can be broken down into different sampling types:

1. Probability Sampling- Simple Random Sampling; Systematic Sampling; Stratified Random Sampling; Cluster Sampling; and Multi-Stage Sampling.

2. Non-Probability Sampling- Quota Sampling; Purposive or Judgemental Sampling; Snowball Sampling; Self Selection Sampling and Convenience Sampling.

5.11.1 Sampling methods

5.11.1.1 Probability sampling

In probability sampling, each unit of the defined population has a known and non-zero chance of being included in the sample. This type of sampling is the most widely used by researchers as a result of its sound theoretical basis, and accordingly, mathematics of probability can legitimately be used. Probability sampling is the complete objective method of sampling a population. Within this method of sampling, the calculation of confidence limits for sampling error will be allowed to obtain a representative sample. This sampling technique also maximises the ability to examine the accuracy of estimates obtained from the survey (Tansey, 2007).

(1) *Simple Random Sampling*. This is the most well-known method of probability sampling. In this method each element of a population has an equal chance to be selected. The population elements are selected one at the same time, independent of each other and without replacement. This can be achieved for instance by using random number tables. This method helps to avoid subjective bias arising from a personal selection of sampling units. Saunders, Lewis and Thornhill (2007, p. 218) add "this form of sampling is not suitable if you are undertaking a survey that covers a large geographical area and requires face-to-face contact". On the other hand, they mention that simple random sampling would still be suitable for a large geographical area in the case of using alternative technique of collecting data such as postal questionnaires or telephone interviewing.

(2) *Systematic Random Sampling*. In this sampling method, all elements of a population are not given equal chance of selection. It involves choosing every nth person from a target population list after the first unit is selected at random. Saunders, Lewis and Thornhill (2007, p. 221) have noted that "systematic sampling is suitable for geographically dispersed cases only if you do not require face-to-face contact when collecting your data".

(3) *Stratified Random Sampling*. Within this sampling method, the population is divided into mutually exclusive groups or strata (such as age groups), and random samples are drawn from each group. The homogeneity in each group is more than the total population, which in turn contributes to the accuracy of the sampling process (Saunders, Lewis and Thornhill, 2007).

(4) *Cluster Sampling*. This is the probability sampling that differs because it seeks to select clusters of population elements, instead of selecting individual elements of population. This method is adopted when "natural" groupings are evident in the population. The total population is divided into clusters chosen randomly and within these clusters every unit is sampled. Elements within a cluster should be as heterogeneous as possible. But there should be homogeneity between clusters (Craig and Donglas, 2005).

Often a 2-stage sample design is adopted, where the first stage sampling includes the selection of clusters and the second stage the selection of elements within the selected cluster; sub-sampling within clusters may give a better estimate of the total.

(5) *Multistage Sampling*. In this method cluster sampling and stratified sampling are combined.

5.11.1.2 Non probability sampling

Non-probability sampling is the second most common method of sampling. In this sampling method the elements of a population do not have equal chance of selection with the sample. It relies on personal judgement of the researcher in the selection process. This sampling method can be categorised into different types (Tansey, 2007):

(1) *Quota Sampling*. It is the most widely used type of non-probability sampling. It seeks to ensure that the sample is representative by selecting elements in a way that the proportion of the sample elements possessing a certain characteristic (e.g. age, gender, social class, etc.) is approximately the same as the proportion of the elements with the characteristic in the population. However, quotas are set by the researcher and, the selection of the actual respondents is the responsibility of the interviewer; therefore, this can lead to bias, the degree of which cannot be objectively measured.

(2) *Purposive or Judgemental Sampling*. It selects the elements of population by means of "expert judgement". Following this procedure, experienced individuals in the subject matter of the survey select what they believe to be the best sample for that particular research. It is also noted that there is no objective method of assessing the reliability of sampling results. In contrast to convenience sampling, judgemental sampling tends to take more time and money to assemble.

(3) *Snowball Sampling*. This method is often adopted when it is difficult to obtain elements of the targeted population. Within this type of sampling, a contact with one or two cases in the population will be needed, then these cases will be asked to identify further cases, and these new cases will be also asked to identify new cases (and so on). The researcher must stop when either no new cases are given or the sample is as larger as is manageable.

(4) *Convenience Sampling*. It is also called accidental sampling. It seeks to obtain people who are most conveniently available. Convenience samples are often adopted to obtain a large number of completed questionnaires quickly and economically.

In view of above discussions, this research adopts what it considers to be the most suitable sampling methods. The researcher therefore adopted non-probability sampling. The respondents to the survey were chosen using a non-random selection method. A non-probability sample was chosen versus a probability sample primarily due to the large population that potentially could be involved, the absence of a sampling frame, the need for undertaking a survey that covers a large geographical area and the limitations in the timing of conducting the survey and costs. However, probability sampling requires the availability of satisfactory population lists, (e.g. sample frames), and it usually includes considerable costs of time and money (Saunders, Lewis and Thornhill, 2007). This does not affect the results as non-probability samples can still be used effectively in similar research (see Table 5.9 below).

Table 5.9 Literature Evidence on Using Non-Probability Sampling

Author	Research main aim	Sampling method
Alrasli, Mehtap-Smadi and Katircioglu, (2005)	To measure service quality perceptions of Greek Cypriot bank customers.	Non-probability convenience sampling
Alrasli, Katircioglu and Mehtap-Smadi, (2005)	To analyze and compare service quality in commercial banking sector in the Turkish and Greek-speaking areas.	Non-probability convenience sampling
Caro (2008)	To develop comprehensive model for measuring service quality in travel industry.	Non-probability convenience sampling
Kim and Jin (2002)	To determine whether the retail service quality scale could be validated in a discount retail setting in the USA and Korea.	Non-probability convenience sampling
Elmayar (2007)	To measure service quality levels in the Bank of Commerce and Development in Libya.	Non-probability convenience sampling

It can be argued that the literature suggested the benefits of using non-probability sampling when the circumstances involved prevent conducting probability sampling. Henry (1990, p. 32) for instance reported "only in the cases where probability samples cannot be used are non probability samples viable". In the same context, Saunders, Lewis and Thornhill (2007, p. 226) stated that "within business research such as market surveys and case study research, this may either not be possible (as you do not have a sampling frame) or appropriate to answering your research question. This means your sample must be selected some other way. Non-probability sampling (or non-random sampling) provides a range of alternative techniques to select samples based on your subjective judgement".

5.11.2 Sampling Procedure

For the non-probability sample, the procedure of convenience sampling is adopted to generate the respondents for the survey. The respondents were customers of private and public banks, and they were selected based on their availability as they went to the bank

branch for a particular product or service. Thus the survey was not based on a group of respondents from a totally random selection as the primary basis was for a respondent to have been going into one of the banks' branches. The reasons for adopting convenience sampling are:

1. It is suitable to obtain a large number of completed questionnaires quickly and economically.
2. It enables the researcher to access people who are most conveniently available in the branches of the chosen banks. This facilitates the administration of the questionnaires face-to-face, which is the only option in Libya (given the impossibility of conducting postal or internet questionnaires).
3. The sample selection process can be continued until the required sample size has been reached (Saunders, Lewis, and Thornhill 2007).
4. This method of sampling can obtain a good response rate (Craig and Douglas, 2005).

Furthermore, the literature supports the adoption of this procedure within similar research (see Table 5.9 above). Bryman and Bell (2007, p. 98) justifies the use of convenience sampling procedures in the field of business and management by stating that: "it also perhaps ought to be recognised that convenience sampling probably plays a more prominent role than is sometimes supposed. Certainly, in the field of business and management, convenience samples are very common and indeed are more prominent than samples based on probability sampling".

5.11.3 Determining the sample size

In general, it is advisable to use a fairly large sample in order to obtain results which are representative of the population. In order to decide upon the appropriate sample size for this research, the researcher reviewed some of the sample sizes used in similar research on measuring banking service quality as a guide to an adequate research sample size. It was noted for instance that Petridou, *et al.,* (2007) distributed 350 questionnaires to the customers of Greek banks, and they also distributed 200 questionnaires to the customers of Bulgarian banks, making a total of a 550 questionnaires. Glaveli *et al.* (2006) have measured banking service quality in the countries of Greece, Bulgaria, Serbia, Albania, and Macedonia. They used sample sizes of 153, 70, 40, 40, and 37 questionnaires respectively, giving a total of a 340 questionnaires. Also Jabnoun and AlTamimi (2003) used a sample size of 800 questionnaires distributed to the customers of major local and foreign banks in the UAE. Arasli, Katircioglu and Mehtap-Smadi (2005) distributed 138 questionnaires to the Turkish speaking area and 130 to the Greek-speaking area of Cyprus. In the study of Arasli, Mehtap-Smadi and Katircioglu (2005) a total of 260 retail bank customers were surveyed in Greek Cypriot regions. Sureshchandar, Rajendran and Anantharman (2003) distributed their

questionnaires to the customers of Indian public, private and foreign banks using sample sizes of 98, 86 and 93 respondents respectively, giving a total of 277. Jabnoun and Khalifa (2005) used a sample size of 230 respondents. 115 questionnaires were distributed to the Islamic banks' customers and 115 questionnaires were distributed to conventional banks' customers in the UAE. A large sample size was adopted by Spathis, Petridou and Glaveli, (2004). Their sample consisted of 1260 individual customers of public and private banks in urban and rural Greece. Al-Tamimi and Al-Amiri (2003) distributed 700 questionnaires to two UAE Islamic banks.

The total sample sizes of these studies averages 520 with unequal distribution across the countries in which they were used. In deciding on this research sample size the researcher also considered the fact that "Minimum sample sizes for a quantitative consumer survey are of the order of 300 to 500 respondents" (Crouch, 1984, p. 142). Furthermore, the following two points were considered before deciding the sample size being used in this research study (Nachmias and Nachmais, 1981):

- The larger sample size is needed for the sample to be representative.
- The sample size should meet the statistical requirements of a particular statistical analysis that the researcher wishes to conduct.

In view of above arguments and after reviewing the literature, the researcher has considered that to use a sample size of 1000 customers for each banking sector would be suitable and appropriate for this type of research. Also, the sample method used in this research allows the researcher to use his subjective judgment in terms of a sampling plan.

5.11.4 The sampling choice, location, and unit

The sample choice of this research is 1000 for Libyan private banking customers and 1000 for Libyan public banking customers as a targeted sample size. This sample size will comprise two banks from the private sector and two banks from the public sector. Two branches were selected from each bank, with care to include variation in geographic location and size. These branches therefore, were selected in a number of cities within the East and West of Libya.

The respondents surveyed (sampling unit) in this research are the customers of Libyan private and public banking sectors and they are based on the following choice:

Customers of the private banking sector:

1. Bank of Commerce and Development
a. The main branch in the Benghazi city (the second largest city- East of Libya).
b. The branch of Tobruk city (one of the smallest cities- East of Libya).

2. Aman Bank for Commerce and Investment
a. The main branch in the Tripoli city (the first largest city- West of Libya).
b. The branch of Alzawia city (one of the smallest cities- West of Libya).

Customers of the public banking sector:

3. Gumhouria Bank
a. The main branch in the Benghazi city.
b. Branch of Tobruk city.

4. National Commercial Bank
a. The main branch in the Tripoli city.
b. The branch of Alzawia city.

The choice of these four banks is based on the following considerations:

1. The choice of the two largest banks from the private sector and the two largest banks from the public sector is suitable for representing the private banking sector and public banking sector, and thus the comparison between the sectors can be made in terms of service quality levels.

2. The researcher selected these four large banks within the two sectors because of the high level of resources that these banks should devote to address service quality issues.

3. These four banks are well established in comparison with other banks, therefore it is expected that their customers are aware about service quality issues which in turn enable them to judge the actual levels of service quality.

4. The researcher selected banks' branches within large cities and also within small cities in the East and West of Libya in order to support possible generalisation for data collection process within the Libyan regions. This because these areas host more than 80 percent of the Libyan population and also to get equal chance for assessing service quality levels in branches located in large and small cities equally.

Accordingly, personal contact was made to the manager of each bank, to talk about the purpose of the research. A letter attached to the organisational consent form explaining the nature and purpose of the research was given to the four banks managers to obtain permission for the research to be undertaken. This letter was drafted explaining the nature and objectives of the research and the advantages arising for the banks. This, in turn, resulted in acceptances from the four banks, but based on two conditions- firstly, no information relating to the lists of customers can be provided to the researcher, and secondly a report must to be submitted to each bank as regards the findings of the study. The conditions were agreed by the researcher. However, there is a statement issued by the Libyan government saying that all organisations operating in Libya should assist students if their research is for purely academic purposes; ultimately, this in fact helped the researcher to get the signed consent forms back.

Figure 5.3 below illustrates a more detailed description of the sampling plan used in this research, including the sampling method, procedure, size, location, as well as the number of returned questionnaires and the timing of conducting the survey.

Figure 5.3 Sampling Plan

Absence of sampling frame
Limitation in the timing of conducting the survey

Sampling Method → Non-Probability Sampling

Sampling Procedure → Convenience Sampling

Sample Size → 1000 customers from each banking sector

Sampling Location

| Private Banking Sector | | | | Public Banking Sector | | | |

Bank A   Bank B   Bank C   Bank D

| Branch A | Branch B | Branch C | Branch D | Branch E | Branch F | Branch G | Branch H |

L. City   **S. City**   **L. City**   **S. City**   **L. City**   **S. City**   **L. City**   **S. City**
East   East   West   West   East   East   West   West

250   250   250   250   250   250   250   250
2 Weeks   2 Weeks   2 Weeks   2 Weeks   2 Weeks   2 Weeks   2 Weeks   2 Weeks
95   92   84   99   81   92   89   62

More
5 Days

46 Quest-
ionnaires

152

Total: 370 Usable Questionnaires/ Time: 4 Weeks

Total: 370 Usable Questionnaires

Time: 4 Weeks + 5 Days

5.12 Methods of Research Statistical Analysis

The researcher undertook all the data processing and analysis. The analysis of questionnaires was carried out by using the statistical package SPSS 17.0 for windows. SPSS program enables data from surveys and experiments to be analysed fully and flexibly (Garson, 2005). According to Procter (1997, p. 197), "Statistical analysis is undertaken to identify patterns that are not as easy to see in the data. This is often the case why very large amounts of data need analysis". Before using the SPSS program, each item or question was given a common variable name to distinguish them; further, each item was coded for the purpose of entering the data into the SPSS program. On the other hand, the researcher was also responsible for the storage and backup of all electronic data.

The researcher's choice of data analysis was influenced by Petridou, *et al.* (2007); Glaveli *et al.* (2006); and Kangis and Voukelatos's (1997) views on measuring and comparing service quality levels in banks. In line with these views, the following statistical analysis methods were employed:

1. Frequencies: to describe the respondents' characteristics.

2. Means: to identify the actual levels of the service quality provided to Libyan private and public banks' customers as described by the scale items (questionnaire statements).

3. Independent-Samples T-Test: to identify the significance of means' differences of customers' perceptions between the private and public banking sectors as measured by the thirty-one items included in the scale, and thus testing the seven research hypotheses at a statistically significant level ($p > 0.05$).

4. Factor analysis: to identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.

5. Cronbach's coefficient alpha test: to examine the scale reliability and internal consistency.

6. Chi-Square: to test the relationship between the customers' demographic characteristics and the type of banking sector.

5.12.1 What Independent Samples T-Test?

Independent Samples T-Test compares the difference in the means values of two samples or groups using a measure of the spread of the scores. Saunders, Lewis and Thornhill (2007, p. 447), have noted that "If the likelihood of any differences between these two groups occurring by chance alone is low, this will be represented by a large t statistic with a probability less than 0.05. This is termed statistically significant". It can therefore be argued that independent samples t-test includes sampling from both populations and examining for differences in their mean values (Robson, Pemberton and McGrane, 2008).

5.12.1.1 Why Independent Samples T-Test?

The main objective of this research study is to identify if there are significant differences between private and public banking sectors in terms of perceived service quality levels. Having established that the both samples (private banks' customers and public banks' customers) exist independently of each other, a comparison between them can be made using independent samples t-test measure which tests the mean (the mean scores of customer perceptions of service quality) differences between the two samples and thus research hypotheses can be tested. In this regard, Robson, Pemberton and McGrane (2008), concluded that if sig (2 tailed) value ≥ 0.05, the researcher rejects the alternative hypothesis, while if sig (2 tailed) value < 0.05 the researcher accepts it.

The researcher considered the use of the Independent Samples T-Test as the best technique to address the research aim and answer the research question. In addition, he noted that despite the fact there are alternative techniques, such as the ANOVA test, which can identify the variance in the mean scores for independent samples, this technique could not be applied in this instance since the ANOVA test is used to compare three or more independent samples (Robson, Pemberton and McGrane, 2008 and Saunders, Lewis and Thornhill, 2007), whereas this research involves only two independent samples. These are private banks' customers and public banks' customers, it can, therefore, be argued that the Independent Samples T-Test can be utilised to compare the two groups of banks in terms of customer perceptions of service quality. In addition, the literature clearly suggests the use of such a technique in similar comparative studies (comparison of two independent samples). For instance, Kangis and Voukelatos (1997) compared the private banking sector with the public banking sector in Greece, in terms of customer expectations and perceptions. Petridou, *et al.* (2007) compared Greek and Bulgarian banks with respect to service quality levels, both studies used the Independent Samples T-Test in order to identify the variance in the mean scores between the two samples.

5.12.2 What is factor analysis?

Factor analysis is a statistical technique attempting to identify underlying factors, or dimensions, that explain the correlations within the variables (item statements) that have been used, and further, describe what the factors represent conceptually. The theoretical basis for factor analysis is that variables are correlated because they share one or more common components. That is, correlations among variables are explained by underlying factors (Garson, 2005; Field, 2009). In other words, it could be utilised for examining the relationships or interrelationships among variables (Coakes and Steed, 2001). Furthermore, it is also used for the purpose of developing and evaluating of scales (Pallant, 2007; Field, 2009).

There are two techniques of factor analysis noted by Kinnear and Gray (2010). The first technique is exploratory factor analysis, while the second is confirmatory factor analysis. Within employing exploratory factor analysis, the underlying structure of a relatively large set of variables will be uncovered and identified. The researcher's a priori assumption is that any indicator may be associated with any factor. There is no prior theory and one uses factor loadings to intuit the factor structure of the data. Exploratory factor analysis is the most commonly used form of factor analysis (Garson, 2005).

In the confirmatory factor analysis, the researcher predicts the number of factors with specific loading (Kinnear and Gray 2010). When adopting confirmatory factor analysis, it can be determined if the number of factors and loadings of studied variables conform to what is expected on the basis of pre-established theory. Studied variables are chosen based on a prior theory and factor analysis is adopted to examine if they load in line with the expected number of factors. The researcher's a priori expectation is that each factor is associated with a specified subset of indicator variables. A minimum requirement of confirmatory factor analysis is that one hypothesises beforehand the number of factors in the model, and usually also forms expectations about which variables will load on which factors (Garson, 2005).

Principal component analysis (PCA) is the most common technique of exploratory factor analysis, and this seeks a linear combination of variables such that the maximum variance is extracted from the variables (Garson, 2005; Kinnear and Gray, 2010; Cooper and Schindler, 2008). Principal component analysis then removes this variance and moves to the second linear combination, which explains the maximum proportion of the remaining variance, and so on (Tabachnick and Fidell, 2007). By doing so, consecutive factors are extracted. Because each consecutive factor is defined to maximise the variability that is not captured by the preceding factor, consecutive factors are independent of each other; this is the principal axis method and results in orthogonal (unrelated and uncorrelated) factors (Garson, 2005).

Factor loadings are an important considerion when performing factor analysis. They are the correlation of the variables with the factor, and when the loading is clear, the interpretation of the factors becomes easier (Zikmund *et al.,* 2010). The other point which should be known is factor rotation which is the method leading to the interpretation of factors by illustrating the variables that group together (Pallant, 2007).

However, before performing factor analysis, the suitability of data must be tested. This can be done by running two measures; Kaiser-Meyer-Olkin (KMO) measure, testing the sample adequacy, and Bartlett's measure testing the sampling sphericity (Pallant, 2007).

5.12.2.1 Why exploratory factor analysis?

Exploratory factor analysis in the form of Principal Component Analysis is used in this research to arrive at the examination of the suitability and validity of dimensions and items of the BSQ scale for the effective measurement of service quality within the Libyan banking context, in order to obtain clear structure of these scale dimensions and items. Furthermore, Principal Component Analysis is also used to identify the maximum variance extracted from the variables and thus the most important factors based on the total variance can be identified (Garson, 2005).

5.12.3 What is Cronbach's coefficient alpha test?

Cronbach's Alpha coefficient of reliability (or consistency) is a measure of squared correlation between observed scores and true scores. Zikmund and Babin (2010b, p. 334) noted that "reliability is an indicator of a measure's internal consistency". Reliability is thus measured in terms of the ratio of true score variance to observed score variance (Garson, 2005). Garson also adds that the more consistent within-subject responses are, and the greater the variability between subjects in the sample, the higher Cronbach's alpha will be; also, the alpha will be higher when there is homogeneity of variances among items than when there is not.

Hair *et al.* (1998) noted that when the alpha score is higher, the reliability of the test will be greater. There isn't a generally agreed cut-off, but researchers see that commonly 0.70 and above is acceptable (Nunally, 1978). Garson (2005) argues that within social sciences, the more acceptable alpha score is 0.70 or higher for a set of items to be considered a scale, while others are as lenient as 0.60. According to Asubonteng, McClearry and Swan (1996), high reliabilities are desirable such as 0.90 or above, whilst reliabilities below 0.60 may demand additional research in order to develop a revised instrument with greater reliability.

An internal consistency measure is the average of inter-item correlation. According to Yu (2005), Cronbach's alpha measures how well a set of items measures a single unidimensional latent construct. When data have a multidimensional structure, Cronbach's alpha will usually be low. Additionally, if the average of inter-item correlation is low, alpha will be low; if the inter-item correlations are high, then there is evidence that the items are measuring the same underlying construct (Yu, 2005). As the average inter-item correlation increases, Cronbach's alpha increases as well. Thus, the expression "high" or "good" reliability means that items measure well a single unidimensional latent construct. If one has multi-dimensional data, overall Cronbach's alpha will generally be low for all items. In this case, the researcher ran a factor analysis to see which items loaded highest on which dimensions, and then took the alpha of each subset of items separately (Yu, 2005).

5.12.3.1 Why Cronbach's coefficient alpha test?

By running Cronbach's coefficient alpha test, the researcher attempted to further test for the scale construct after conducting factor analysis. The goal was to obtain a concise scale whose items would be meaningful to private and public banks in Libya. 0.7 will be used as the minimal accepted level. This is fact accepted by the literature, as many studies used reliability to test the service quality scales with levels ranged from 0.6 to 0.96 (Jabnoun and Khalifa, 2005; Caro and Garcia, 2007; Akbaba, 2006; Chowdhary and Prakash, 2007).

5.12.4 What is Chi-Square?

Chi-Square is the statistical instrument or test that helps to identify the significance of any association between two categorical variables (Robson, Pemberton and McGrane, 2008). In other words, it is the test of relationship between variables. The statistical significance of association refers to the chance of assuming that there is a relationship when in actual fact there is none. According to Robson, Pemberton and McGrane (2008, p. 170), "the usual level of significance for a business application is either the 1% or 5% significance level. The 1% or 5% level measures the probability of a Type I error". It was also noted that if the probability of the test statistic is very low (usually $p= 0.05$ or lower), then the statistically significant relationship will be identfied (Saunders, Lewis and Thornhill, 2007).

There are different types of Chi-Square tests such as Pearson's Chi-Square, Likelihood ration Chi-square, Chi-square goodness-of-fit test, and Mantel-Haenszel's Chi-square. Pearson's Chi-square is the most commonly used and it was utilised in this research study.

5.12.4.1 Why Pearson's chi-square?

Pearson's Chi-Square test calculates the probability of association between two variables. In other words, it examines whether or not this association is statistically significant. This research requires the test for association (relationship), in order to test the degree of independence or possible relationships between participants' demographic variables of age, gender, occupation, number of branch visits and period of dealing with bank and bank status. Therefore, Chi-square was seen as the most suitable statistical test to examine these relationships.

5.13 Sources of Research Data: Primary and Secondary Sources

There are two generic classifications of research data sources. These are primary research and secondary research. Primary research is concerned with the collection of non-published data, while secondary research is concerned with researching the existing information (literature) available (Saunders, Lewis and Thornhill, 2007). The data in this research study

comes from both primary and secondary sources. The primary data came from responses from questionnaires administered to non- probability sample size of 2000 banks' customers within the eight selected banks' branches from private and public banking sectors in Libya. The secondary data source is from academic articles, various printed and electronic journals, books, research theses and referable working papers on the topic of service quality including its measurement within the banking sector.

5.14 Ethical Issues and Approaches

In considering the nature of this research study and its involvement with human participants (banks' customers), ethical issues were an important considerion and thus were viewed as fundamental to the successful completion of this study (Wisker, 2008). Cooper and Schindler (2008, p. 34) mentioned that "ethics are norms or standard of behaviour that guide moral choices about our behaviour and our relationship with others". The researcher set out to identify and address potential or actual ethical issues as they arose. The first step was to practically observe possible ethical matters that may arise through the data collection process as a result of the culture of the country in which the research was conducted. Furthermore, the researcher paid close attention to ensure that nobody is harmed as a result of the research (Cooper and Schindler, 2008). Hence, ethical guidelines evidently protect participants from harm when answering interview questions or any other method (de Leeuw, Hox and Dillman, 2008). The researcher should consider two points when conducting survey research; informed consent and protection of confidentiality (de Leeuw, Hox and Dillman, 2008; Czaja and Blair, 2005). de Leeuw, Hox and Dillman (2008) go a step further to explain how these two points can be assured:

- Informed consent: Within informed consent, the researcher should provide all information to participants about the potential harm that may occur, and the researcher also should ensure that the participants understand the information very well. Moreover, the researcher should not influence the participants in anyway, and there should be evidence of their agreement to participate in the research.

- Confidentiality protection: Breaching confidentiality is the biggest risk to respondents. This could lead to loss of employment, criminal prosecution or embarrassment. Confidentiality can be breached by for instance, forgetting to remove a participant's personal details such as name, telephone number and address. The factor might breach confidentiality is that the information is not stored rightly. This could enable unauthorised person to obtain access to this information.

In this study, the researcher kept the above points in mind and he also followed the ethical guidelines provided by Northumbria University. Accordingly, an agreement was reached

between the selected banks' managements and the researcher on completing the questionnaires by customers in selected banks' branches, and according to this agreement, organisation consent forms have been signed by concerned banks' managers. With regard to customers' participation, participants in the pilot study were aware of the purpose and the objectives of the research via Informed Consent Forms. Additionally, participants in the real study were also informed about the purpose and the objectives of the research via the front page (introductory letter) attached to the questionnaire. Moreover, the confidentiality was maintained as the participants in both the pilot study and real study were informed not to supply their names or any information that could identify them. In addition, the respondents were not asked any personal questions; therefore, in this survey there was no potential for any respondent to come to harm. The respondents were also aware that their participation in the research was entirely voluntary.

However, the data collection process was successfully completed without any ethical concerns capable of invalidating the data collection.

5.15 Chapter Summary

This chapter reviewed some of the philosophical (theoretical) views held by a number of researchers. Furthermore, this chapter reviewed the interpretation given to positivism by certain researchers such as August Comte. It concludes therefore that eventhough positivism is a logical research process, it can be considered as part of a flexible approach to the research (Crotty, 1998).

This chapter also provided a conclusive justification for the adoption of quantitative method through a research survey. Moreover, it highlighted the benefits of using the survey strategy as a method of data collection which was deemed the most suitable method for collecting the present research data.

It should be emphasised once more that the research instrument used in the present study is intended to measure service quality perceptions in Libyan private and public banking sectors from customers' perspectives. The format and the structure of the instrument used is based on the work of Bahia and Nantel (2000), and consists of 31 items distributed across six service quality dimensions which are effectiveness and assurance, access, price, tangibles, service portfolio and reliability.

Through adoption of quantitative research methods, the sample for the customers' survey research was drawn by convenience non-random selection, and the data was collected from customers of the selected eight branches distributed between four banks, two from the private sector and two from the public sector. The data was collected through face to face contact. Methods of research statistical analysis were also presented and discussed.

It can therefore be concluded that there is a need for this research to progress with this research data analysis, findings and conclusions. This indeed will confirm if the above methods will provide valid research outcomes through answering research question, addressing research objectives and testing research hypotheses.

The next chapter will consider research data analysis and will also discuss the research outcomes and findings, which will help to answer the research question and address the research objectives.

Chapter Six

Data Analysis and Findings

Chapter 6: Data Analysis and Findings

6.0 Introduction

The service quality level in the Libyan private and public banking sectors was measured by using BSQ scale. The scale was modified and adopted for this study (see Chapter Five). A Seven-Point Likert Scale was used to measure customer perceptions of service quality, while the nominal part of the questionnaire was used to reflect on participants' demographic characteristics.

The chapter therefore provides information on the research data analysis outcomes (findings) and discusses the statistical analysis of the customers' perceptions of service quality through a comparison between the Libyan private and public banks. The chapter also focuses on discussing the outcomes from data analysis.

This chapter therefore begins with highlighting the chapter aims and objectives. The second section will present the research question, while the third section will shed light on the research hypotheses. The research settings and questionnaire administration will be highlighted in section four. Section five will provide the descriptive statistics of the study sample. The sixth section includes the descriptive analysis of service quality. The seventh section will involve testing the research hypotheses.

In section eight, the BSQ dimensions were subjected to factor analysis in order to identify the differences between the Libyan private and public banking sectors in terms of the degree of importance attached to various dimensions of service quality. The ninth section includes testing the relationship between the demographic characteristics of banks' customers and the bank status. The discussion on the study statistical tests' results will be also provided in this chapter. Finally, the summary of the research outcomes will be presented.

6.1 Chapter Aims and Objectives

To present descriptive analysis of customers' perceptions of service quality levels in the Libyan private and public banking sectors.

To present outcomes of the statistical test aimed at comparing the Libyan private and public banks in terms of customers' perceptions of service quality.

To empirically establish and present the BSQ dimensions and test its validity, reliability and suitability for the effective measurement of service quality levels within Libyan private and public banking sectors.

To establish the degree of importance attached to various dimensions of service quality by customers of Libya's private and public banks.

To establish the extent of the relationship between the demographic characteristics of banks' customers and bank status.

To discuss research outcomes leading to the chapter summary.

6.2 Research Hypotheses, Settings, Sampling and Procedures

6.2.1 Research hypotheses

The hypothetical assumptions will inform the basis of this research study, as this research measures service quality levels in the Libyan private and public banking sectors separately using the BSQ model to identify if there are significant differences between the two groups of banks in terms of the perceived service quality levels. The BSQ scale originating from the earlier discussion in Chapter Three of this research entails the service quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio and reliability. These six service quality dimensions were used to determine and assess the actual levels of service quality in the two groups of banks which has guided the researcher to develop and generate the research hypotheses based on the six service quality dimensions of the BSQ scale. Additionally, the literature supported the view that addressing every service quality dimension is vital. Furthermore, banks should look carefully at each one of the service quality dimensions where customers perceive receiving different services which categorised into different dimensions (Kangis and Vouklatos, 1997). This approach was also advanced by the studies of Parasuraman, Zeithaml, and Berry (1994), Hammer and Champy, (1994), and Morris and Brandon (1993). The following hypotheses were therefore subjected to statistical test:

Hypothesis 1:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the effectiveness and assurance dimension.

Hypothesis 2:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension.

Hypothesis 3:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension.

Hypothesis 4:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension.

Hypothesis 5:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension.

Hypothesis 6:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension.

Hypothesis 7:

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to all service quality dimensions taken together.

The researcher hypothesizes that there are significant differences between the Libyan private and public banking sectors in terms of service quality levels as measured by the six service quality dimensions of the BSQ scale, because previous research such as studies carried out in Greece, India and Taiwan (see Chapter Four) support the view that private banks outperform public banks in terms of customer perceptions of service quality (Kangis and Vouklatos, 1997; Sureshchandar, Rajendran and Anantharaman, 2003; Bei and Shang, 2006).

6.2.2 Research settings, participants and demographic issues

As discussed earlier in the methodology chapter of this research, the study used revised BSQ scale (Banking Service Quality) developed by Bahia and Nantel (2000). This scale formulates the questionnaire used in this research that was distributed to the banks customers based on the targeted sample size.

Banking Service Quality scale (BSQ) used in this research study consists of 31 items of service quality relevant to the banking sector (retail banking). These 31 items are distributed across six dimensions: effectiveness and assurance, access, price, tangibles, service portfolio and reliability.

In order to obtain the relevant answers to the research question, the questionnaire was developed. This questionnaire consisted of two parts. The first part contained the 31 items from the original BSQ model (Bahia and Nantel, 2000). The second part aimed to build the demographic profile of the customer sample. The respondents were asked to rate each item on a Likert-type scale by assigning a value of 1= (strongly disagree) to 7= (strongly agree), as suggested by Bahia and Nantel (2000).

Before distributing the questionnaire to the banks' customers, all concerns about using BSQ cross-culturally were considered (see Chapter Six). The scale therefore was piloted qualitatively, to identify any obstacles which might obstruct the collection of required data (Petridou *et al.*, 2007; Glaveli *et al.*, 2006; Spathis, Petridou and Glaveli, 2004). Accordingly, it was slightly amended.

1000 questionnaires were administered to customers of each participating banking sector resulting in a total of 2000 questionnaires. Of the 2000, 370 usable questionnaires were collected from each banking sector which is a total of 740 returned for analysis without exclusions.

The demographic and background characteristics of the respondents were examined namely gender, age, number of branch visits, occupation and duration of relationship with bank. Descriptive statistics (frequencies and percentages) were used to identify the study sample. The results are shown in Table 6.1, and are as follows:

6.2.2.1 Private Banking Sector

Frequency level of the banks' customers based on the criterion of gender

Male respondents had the higher frequency level at 97.6% while the female respondent frequency level was 2.4%.

Frequency level of the banks' customers based on the criterion of age

Respondents of the 35-44 age groups had the highest frequency level (32.4%), followed by the 25-34 group (31.4%). The 45-54 age group was next (with 19.2%), followed by the 18-24 age group (11.9%), and 55-65 age group (2.7%). Finally, the 18- age group was reported at the lowest frequency level (2.4%). No respondents belonged to the 60+ age group.

Respondents' branch visit frequency level

The group of respondents who visited the branch once a week or more often had the highest frequency level (66.5%). The group of respondents who visited the branch less often than once a week but once a month or more was the next group (21.9%), followed by the group of respondents who visited the branch less often than once a month (11.6%).

Frequency level of the banks' customers based on the criterion of occupation

Respondents who were self-employed had the highest frequency level (61.4%), followed by the respondents who worked as sole traders (28.1%). Finally, the students group had the lowest frequency level (10.5%). No respondents belonged to the employee, retired, housewife and civil servant occupations.

Frequency level of the banks' customers based on the criterion of duration of relationship with bank

Respondents who had been dealing with the bank for more than five years had the highest frequency level (75.4%). This was followed by the respondents who had been dealing with bank for three-five years (18.9%). Respondents who have had a relationship with the bank for two years were next (4.3%), followed by respondents dealing with the bank for one year (1.4%). No respondents belonged to the group where the duration of time of dealing with bank was six months and three months.

6.2.2.2 Public banking sector

Frequency level of the banks' customers based on the criterion of gender

Male respondents had the higher frequency level at 99.2% while female respondent frequency level was 0.8%.

Frequency level of the banks' customers based on the criterion of age

Respondents of the 45-54 age group had the highest frequency level (46.5%), followed by the 35-44 group (33.8%). The 25-34 age group was next (12.7%), followed by the 55-65 age group (7%). No respondents belonged to the 18-, 18-24, 65+ age groups.

Respondents' branch visit frequency level

The group of respondents who visited the branch less often than once a week but once a month or more had the highest frequency level (73.5%). The group of respondents who visited the branch less often than once a month was the next group (26.5%). No respondents belonged to the group who visited the branch once a week or more often.

Frequency level of the banks' customers based on the criterion of occupation

Respondents currently in employment had the highest frequency level (97.3%), followed by the retired respondents (1.4%). Finally, 'other' occupation had the lowest frequency level (.3%). No respondents belonged to the self-employed, student, housewife and civil servant occupations.

Frequency level of the banks' customers based on the criterion of duration of relationship with bank

Respondents who dealt with the bank for more than five years had the highest frequency level (60%). The respondents who dealt with bank for three-five years and two years ranked the same level at (20%). No respondents belonged to the duration of one year, six months and three months as a time of dealing with bank.

Table 6.1 Bank Customers' Demographic Characteristics

Demographic factor	All (*n* = 740)			
Customer's gender	Private Banking Sector (*n* = 370)		Public Banking Sector (*n* = 370)	
	No. of respondents	Percent	No. of respondents	Percent
Male	361	97.6%	367	99.2%
Female	9	2.4%	3	0.8%
Customer's age				
Under 18	9	2.4%	0	0%
18-24	44	11.9%	0	0%
25-34	116	31.4%	47	12.7%
35-44	120	32.4%	125	33.8%
45-54	71	19.2%	172	46.5%
55-65	10	2.7%	26	7%
Over 65	0	0%	0	0%
Branch visits				
Once a week or more often	246	66.5%	0	0%
Less often than once a week but once a month or more	81	21.9%	272	73.5%
Less often than once a month	43	11.6%	98	26.5%
Customer's occupation				
Employee	0	0%	360	97.3%
Self-employed	227	61.4%	0	0%
Retired	0	0%	5	1.4%
Student	39	10.4%	0	0%
Housewife	0	0%	0	0%
Sole trader	104	28.1%	4	1.1%
Civil servant	0	0%	0	0%
Other	0	0%	1	0.3%

Duration of relationship with bank				
More than 5 years	279	75.4%	222	60%
3-5 years	70	18.9%	74	20%
2 years	16	4.3%	74	20%
1 year	5	1.4%	0	0%
6 months	0	0%	0	0%
3 months	0	0%	0	0%

Demographic characteristics are an accepted basis for segmenting markets (Blech and Blech, 1993), although literature has also suggested that gender is a vital factor that could affect the perceptions of service quality (Webster, 1989; Stafford, 1996). It was also noted within the research, that there are differences between men and women in terms of the degree of importance attached to service quality (Stafford, 1996). These differences may be due to the differential treatment of men and women in commercial exchange (Gutek, 1995), or the distinctive patterns of behaviour and personality associated with gender (Hofstede, 1991). However, biological and physical differences, gender identity ("feminine" and "masculine" traits) and attitudes of gender, all have potential influence on human behaviour and perceptions (Fischer and Arnold, 1994).

In the current study, the data was collected from both men and women. It can be seen from Table 6.1 that women accounted for only 2.4% of the final sample of private banks' respondents, and for 0.8% of the final sample of public banks' respondents; therefore, because of the existing culture female participation in the research was minimal. Libyan women tend to visit the bank only when there is an urgent need; otherwise they ask their brother, father or husband to visit the bank instead, therefore, their presence in the bank is limited. With regards to surveying women in Libya, it can also be observed that women are unlikely to talk to strangers; this behaviour is in fact common in the majority of Middle Eastern countries because of cultural influences (Kumar, 2000).

With regard to the customer's occupation, it is evident that public banks in Libya should pay attention to employees, as these currently constitute over 97% of the total number of customers surveyed. While, in private banks, attention should be paid to people who are self-employed as these account for 61.4% of the total number of customers surveyed. The outcome will help the management of Libyan private and public banks when developing

service plans and marketing strategies, especially the marketing mix and customer segmentation.

6.2.3 The response rate

While response rate is a point of debate and discussion among researchers as far as identifying what is a good response rate and how it can be reached, it is interesting to note that the response rate of questionnaire surveys may vary according to the nature of the research and how this research is important and also the type of respondents.

It was clearly supported within the literature that response rate above 30% is good and an acceptable level when the research uses survey questionnaire (Moser and Kalton, 1971; Crimp and Wright, 1995).

Taking the above view into consideration, this research's sample population includes the Libyan private and public banks' customers within two selected banks from each banking sector broken down into eight selected branches within four cities located in the East and the West of Libya. 1000 questionnaires were administered to each banking sector. A total of 370 usable questionnaires from each banking sector were collected, achieving a response rate of 37% which indeed can be considered good response (Moser and Kalton, 1971; Crimp and Wright, 1995).

6.2.4 Ethical issues

Ethical issues were carefully considered in this research study as consents were obtained from the four selected banks' managements, after explaining the research purpose and objectives through the first page attached to the consent form. Additionally, participants in the pilot study and the real study were aware of the purpose and objectives of the study via the introductory letter attached to the questionnaire. Furthermore, participants in the both studies were also informed that their participation is voluntary.

6.3 Questionnaire Data Analysis

6.3.1 Data analysis (Phase 1): Levels of service quality

The customers' attitudes towards the service quality offered by Libyan private and public banks were used to assess the level of service quality. On these grounds, descriptive statistics were used to assess the level of service quality as perceived by the customers of private and public banks in Libya. This included the perceived service quality which was measured using the amended BSQ scale with using a Seven-Point LIKERT Scale. Mean measures were used in this research to identify the levels of service quality in the two banking sectors. For all six service quality dimensions and thirty-one service quality items, mean scores were

calculated for customers' perceptions of private and public banking sectors (these are presented in Tables 6.2 to 6.7 below.

6.3.1.1 Effectiveness and assurance dimension

The effectiveness and assurance dimension emerge from the degree of importance of the following items (see Table 6.2):

Table 6.2 Mean Effectiveness and Assurance Scores for Customers' Perceptions

Dimension	Private Banking Sector ($n = 370$)	Public Banking Sector ($n = 370$)
Effectiveness and Assurance	**Customers' perceptions**	**Customers' perceptions**
Confidence	5.2000	2.8459
Recognition of a regular client	5.2649	2.8027
Confidentiality	5.4838	4.0324
Valorisation of the client by personnel	4.9405	2.5946
Interruption of the service	5.1000	1.5919
Well-trained personnel	5.8000	2.5324
Knowledge of the client on a personnel basis	5.7622	1.8784
No contradictions in decisions between personnel and management	5.1946	2.9432
Delivering when promised	5.2405	1.7324
Good reputation	5.4486	1.7349
Feeling of security	5.3757	3.1676
No delays due to bureaucratic factors and procedures	5.5270	1.8541
Indications (communication) of quality	5.6486	1.8054
Mean Scores	**5.3835**	**2.4243**

In general the mean score of perceptions of the effectiveness and assurance dimension for customers of the private banking sector is 5.3835 out of seven (high customer perceptions), and for customers of the public banking sector is 2.4243 out of seven (low customer perceptions). This clearly shows that the perceived level of service quality provided to

customers (with regard to effectiveness and assurance dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which indicates that private banking sector outperforms public banking sector in terms of effectiveness and assurance dimension.

6.3.1.2 Access dimension

Access is measured according to the significance of the following items (see Table 6.3):

Table 6.3 Mean Access Scores for Customers' Perceptions

Dimension	Private Banking Sector ($n = 370$)	Public Banking Sector ($n = 370$)
Access	**Customers' perceptions**	**Customers' perceptions**
Sufficient number of ATMs per branch	6.2595	1.8703
Modern equipment	6.0595	1.5108
Sufficient number of open tellers	5.7216	1.5127
Waiting is not too long	5.9514	1.4892
Queues that move rapidly	6.0703	1.4135
Mean Scores	**6.0124**	**1.5593**

The mean score of perceptions of the access dimension for customers of the private banking sector is 6.0124 (high customer perceptions), and for customers of the public banking sector is 1.5593 (low customer perceptions). This clearly shows that the perceived level of service quality provided to customers (with regard to access dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which proves that the private banking sector outperforms public banking sector in terms of access dimension.

6.3.1.3 Price dimension

Price dimension is measured by taking into consideration the degree of importance of the following items (see Table 6.4):

Table 6.4 Mean Price Scores for Customers' Perceptions

Dimension	Private Banking Sector (*n* = 370)	Public Banking Sector (*n* = 370)
Price	**Customers' perceptions**	**Customers' perceptions**
The bank contacts me every time it is useful	5.7351	1.8270
Good explanations of service fees	5.4081	1.7432
Balance amount from which service charges begin	5.2703	1.7730
Reasonable fees for administration of accounts	5.1324	4.1919
Keeping the client informed every time that a better solution appears for the problem	5.7757	1.6000
Mean Scores	**5.4643**	**2.2270**

In general the mean score of perceptions of the price dimension for customers of the private banking sector is 5.4643 (high customer perceptions), and for customers of the public banking sector is 2.2270 (low customer perceptions). This clearly shows that the perceived level of service quality provided to customers (with regard to price dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which supports the view that the private banking sector outperforms the public banking sector in terms of price dimension.

6.3.1.4 Tangibles dimension

The tangibles dimension emerges from the degree of importance of the following items (see Table 6.5):

Table 6.5 Mean Tangibles Scores for Customers' Perceptions

Dimension	Private Banking Sector (*n* = 370)	Public Banking Sector (*n* = 370)
Tangibles	**Customers' perceptions**	**Customers' perceptions**
Precision of account statement	5.6649	2.4270

Cleanliness of bank's contents	5.8108	2.2189
The bank contents are well-decorated	5.7919	1.6514
The bank has efficacious work environment	5.7243	1.5784
Mean Scores	**5.7479**	**1.9689**

The mean score of perceptions of tangibles dimension for customers of the private banking sector is 5.7479 (high customer perceptions), and for customers of the public banking sector is 1.9689 (low customer perceptions). This clearly shows that the perceived level of service quality provided to customers (with regard to tangibles dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which demonstrates that the private banking sector outperforms the public banking sector in terms of tangibles dimension.

6.3.1.5 Services portfolio dimension

The services portfolio dimension is measured subject to the degree of importance of the following items (see Table 6.6):

Table 6.6 Mean Services Portfolio Scores for Customers' Perceptions

Dimension	Private Banking Sector (*n* = 370)	Public Banking Sector (*n* = 370)
Services portfolio	**Customers' perceptions**	**Customers' perceptions**
Complete range of services	5.7432	1.5757
Range of services consistent with the latest and advanced banking services	5.6757	1.5270
Mean Scores	**5.7094**	**1.5513**

The mean score of perceptions of the services portfolio dimension for customers of the private banking sector is 5.7094 (high customer perceptions), and for customers of the public banking sector is 1.5513 (low customer perceptions). This clearly shows that the perceived level of service quality provided to customers (with regard to services portfolio dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which suggests that the private banking sector outperforms the public banking sector in terms of services portfolio dimension.

6.3.1.6 Reliability dimension

The reliability dimension emerges after checking the importance of the following items (see Table 6.7):

Table 6.7 Mean Reliability Scores for Customers' Perceptions

Dimension	Private Banking Sector (n = 370)	Public Banking Sector (n = 370)
Reliability	Customers' perceptions	Customers' perceptions
Absence of errors in service delivery	5.9351	1.5405
Precision of filing systems	6.1324	1.8486
Mean Scores	**6.0337**	**1.6945**

The mean score of perceptions of the reliability dimension for customers of the private banking sector is 6.0337 (high customer perceptions), and for customers of the public banking sector is 1.6945 (low customer perceptions). This clearly shows that the perceived level of service quality provided to customers (with regard to the reliability dimension) in the private banking sector is high and the perceived level of service quality provided to customers with regard to the same dimension in the public banking sector is low, which proves that the private banking sector outperforms the public banking sector in terms of reliability dimension.

It can be seen from the Figure 6.1 below that the perceptions of private banks' customers were higher than the perceptions of public banks' customers.

Figure 6.1 Levels of Customers' perceptions of Service Quality in Private and Public Banks
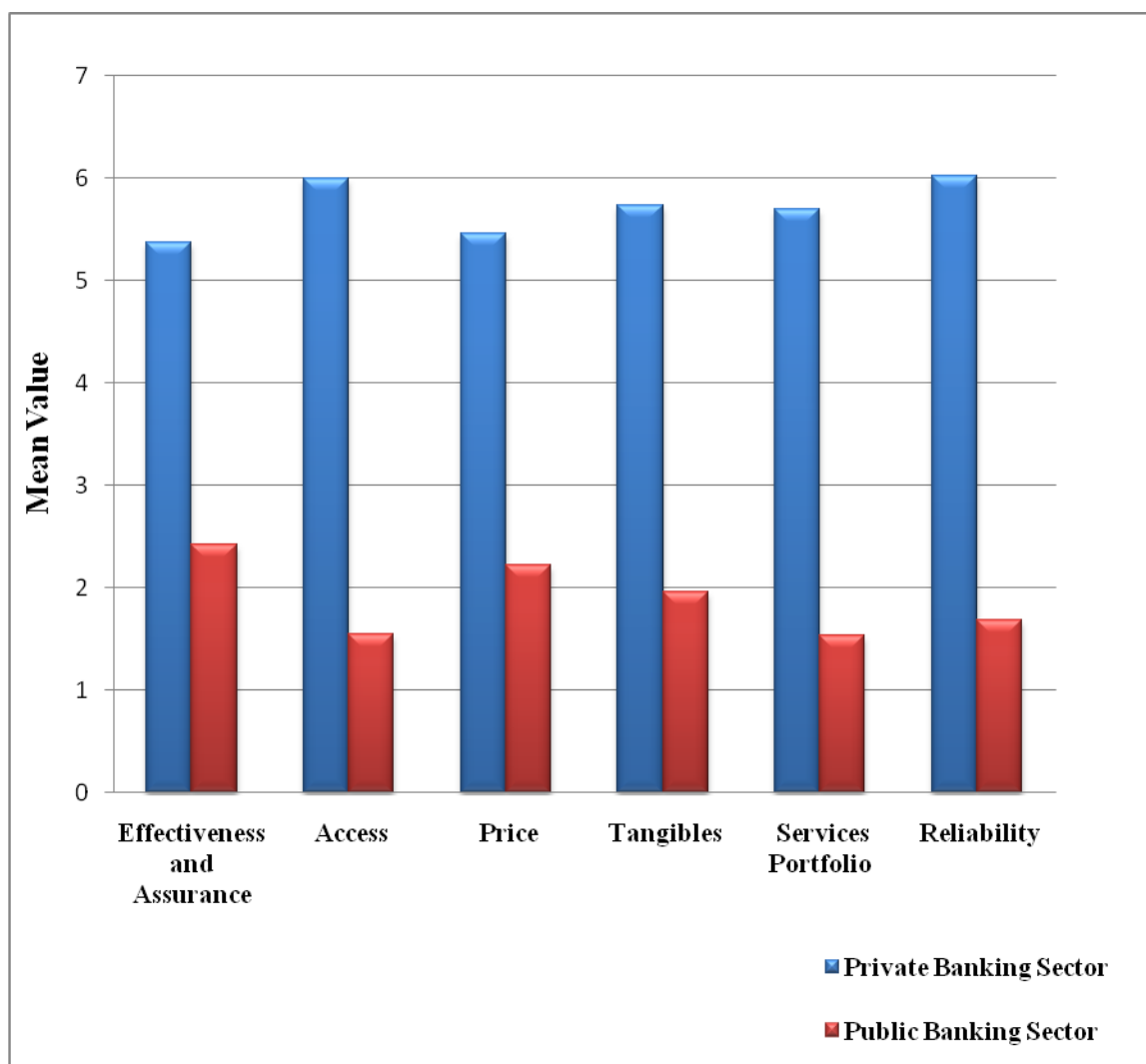
Figure 6.2 depicts graphical representations of the mean scores of service quality perceptions for the customers of both private and public banks with regards to the six service quality dimensions.

Figure 6.2 Mean Scores of the Six Service Quality Dimensions
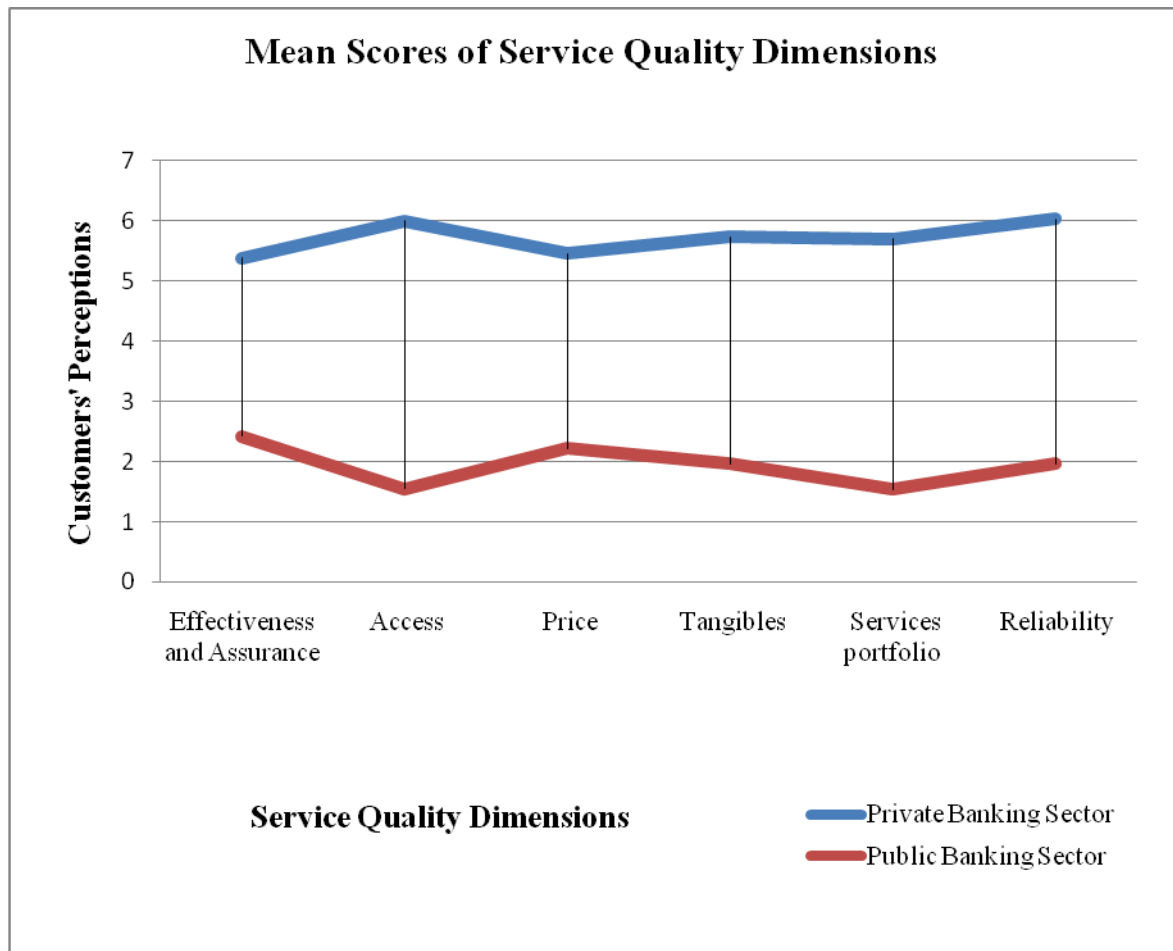
Moreover, it can also be noted from the figure above that the biggest difference is related to the access dimension (the average score of customer perception is 6.0124 for the private banking sector, and 1.5593 for the public banking sector) followed by the reliability dimension (the average score of customer perception is 6.0337 for the private banking sector, and 1.6945 for public banking sector), then the services portfolio dimension followed by tangibles dimension, price dimension, and effectiveness and assurance dimension. However, conducting the Independent-Samples T-Test will help to explore the significant differences statistically between the two banking sectors with respect to service quality dimensions.

6.3.2 Data analysis (Phase 2): Hypotheses testing

The analysis of Independent Samples T-Test was used to explore the differences in the mean values of dependent variables (the BSQ dimensions) between the two groups of customers (private banks' customers and public banks' customers). The testing of the hypotheses is based on the assumption that the confidence level is 0.05, which is generally accepted by social science researchers.

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Hypothesis 1

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the effectiveness and assurance dimension.

The Independent Samples T-Test analysis showed significant differences between the Libyan private and public banking sectors regarding the effectiveness and assurance items, where (f) value is equal to 2.95 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 1 is accepted and it may be concluded that there are significant differences in perception between customers of the Libyan private and public banking sectors regarding the effectiveness and assurance items as indicators of service quality. The results are shown in the Table 6.8 below:

Table 6.8 The Results of Independent Samples T-Test Analysis of the Effectiveness and Assurance Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Effectiveness and assurance	**5.3836**	**2.4266**	**246.189**	**0.000**
1. Confidence	5.2000	2.8459	55.076	0.000
2. Recognition of a regular client	5.2649	2.8027	50.185	0.000
3. Confidentiality	5.4838	4.0324	50.185	0.000
4. Valorisation of the personnel	4.9405	2.5946	54.836	0.000
5. Interruption of the service	5.1000	1.5919	77.098	0.000
6. Well-trained personnel	5.8000	2.5324	98.153	0.000
7. Knowledge of the client on a personnel basis	5.7622	1.8784	121.027	0.000
8. No contradictions in decision between personnel and management	5.1946	2.9432	42.912	0.000
9. Delivering when promised	5.2405	1.7324	86.589	0.000
10. Good reputation	5.4486	1.7349	70.757	0.000
11. Feeling of security	5.3757	3.1676	51.769	0.000
12. No delays due to bureaucratic factors and	5.5270	1.8541	69.958	0.000

procedures			
13. Indications (communications) of quality	5.6486	1.8054	80.875	0.000

Hypothesis 2

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension

The Independent Samples T Test analysis showed significant differences between the Libyan private and public banking sectors regarding the access items, where (f) value is equal to 4.45 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 2 is accepted and it may be concluded that there are significant differences in perception between customers of Libyan the private and public banking sectors regarding the access items as indicators of service quality. The results are shown in the Table 6.9 below.

Table 6.9 The Results of Independent Samples T-Test Analysis of the Access Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Access	**6.0124**	**1.5573**	**231.538**	**0.000**
14. Sufficient number of ATMs per branch	6.2595	1.8703	99.652	0.000
15. Modern equipment	6.0595	1.5108	125.571	0.000
16. Sufficient number of open tellers	5.7216	1.5127	88.707	0.000
17. Waiting is not too long	5.9514	1.4892	102.335	0.000
18. Queues that move rapidly	6.0703	1.4135	135.228	0.000

Hypothesis 3

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension

The Independent Samples T-Test analysis revealed significant differences between the Libyan private and public banking sectors regarding the price items, where (f) value is equal to 3.23 and is significant at the level of 0.000, which is lower than the acceptable confidence

level (0.05). Therefore Hypothesis 3 is accepted and it may be concluded that there are significant differences in perception between customers of Libyan private and public banking sectors regarding the price items as indicators of service quality. The results are shown in the Table 6.10 below.

Table 6.10 The Results of Independent Samples T-Test Analysis of the Price Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Price	**5.4643**	**2.2270**	**168.095**	**0.000**
19. The bank contacts me every time it is useful	5.7351	1.8270	85.542	0.000
20. Good explanations of service fees	5.4081	1.7432	74.098	0.000
21. Balance amount from which service charges begin	5.2703	1.7730	60.789	0.000
22. Reasonable fees for the administration of the accounts	5.1324	4.1919	13.174	0.000
23. Keeping the client informed every time that a better solution appears for a problem	5.7757	1.6000	124.663	0.000

Hypothesis 4

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension

The Independent Samples T-Test analysis showed significant differences between the Libyan private and public banking sectors regarding the tangibles items, where (f) value is equal to 3.77 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 4 is accepted and it may be concluded that there are significant differences in perception between the customers of Libyan private and public banking sectors regarding the tangibles items as indicators of service quality. The results are shown in the Table 6.11 below:

Table 6.11 The Results of Independent Samples T-Test Analysis of the Tangibles Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Tangibles	**5.7480**	**1.9689**	**192.116**	**0.000**
24. Precision on account statements	5.6649	2.4270	71.373	0.000
25. Cleanliness of facilities	5.8108	2.2189	80.176	0.000
26. Decoration of facilities	5.7919	1.6514	88.184	0.000
27. Efficacious work environment	5.7243	1.5789	111.106	0.000

Hypothesis 5

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension

The Independent Samples T-Test analysis showed significant differences between the Libyan private and public banking sectors regarding the services portfolio items, where (f) value is equal to 4.15 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 5 is accepted and it may be concluded that there are significant differences in perception between customers of the Libyan private and public banking sectors regarding the services portfolio items as indicators of service quality. The results are shown in the Table 6.12 below:

Table 6.12 The Results of Independent Samples T-Test Analysis of the Services Portfolio Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Services Portfolio	**5.7095**	**1.5514**	**160.584**	**0.000**
28. Complete gamut of services	5.7432	1.5757	110.849	0.000
29. The range of services is consistent with the latest innovation in banking services	5.6757	1.5270	106.983	0.000

Hypothesis 6

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension

The Independent Samples T-Test analysis showed significant differences between the Libyan private and public banking sectors regarding the reliability items, where (f) value is equal to 4.33 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 5 is accepted and it may be concluded that there are significant differences in perception between customers of the Libyan private and public banking sectors regarding the reliability items as indicators of service quality. The results are shown in the Table 6.13 below:

Table 6.13 The Results of Independent Samples T test Analysis of the Reliability Dimension

Dimension	Sector			
	Private	Public	*t*-test	*p*-value
Reliability	**6.0338**	**1.6949**	**149.63**	**0.000**
30. Absence of errors in service delivery	5.9351	1.5405	115.301	0.000
31. Precision of filing system	6.1324	1.8486	102.594	0.000

Hypothesis 7

There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to all service quality dimensions taken together

The independent Samples T-Test analysis showed significant differences between the Libyan private and public banking sectors regarding all service quality dimensions taken together, where (f) value is equal to 1.27 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 7 is accepted and it may be concluded that there are significant differences in perception between customers of the Libyan private and public banking sectors regarding all service quality dimensions taken together.

6.3.3 Data analysis (Phase 3) Comparison between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.

The statistical factor analysis was run to identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.

Factor analysis attempts to identify underlying factors or dimensions that have been used and further, to describe what the factors represent conceptually (Garson, 2005).

In this research, exploratory factor analysis in the form of principal component analysis (PCA) was adopted for each sample separately (private banks' sample and public banks' sample). A statistical analysis was performed using the Statistical Program for Social Sciences (SPSS) for Windows, release 17.0. Prior to conducting factor analysis, Bartlett's test of sphericity was employed in the two samples. Sphericity means that data are uncorrelated. Factor analysis, however, assumes that a set of variables are associated with each other. Moderately significant inter-correlations between items are required to uncover the latent structure of a set of variables. In a Bartlett's test, a high Chi-Square value with a low p value ($p<0.001$) indicates a significant relationship between the items, which suggests that the data are suitable for factor analysis (Morgan and Griego, 1998). In this research study, the outcomes of the Bartlett's test confirmed that both the private banks' sample (2435.039; $p<.001$) and the public banks' sample (2396.794; $p<.001$) are suitable for factor analysis.

The principal component factor analysis used a varimax rotation solution with Kaiser Normalization, which is the most common rotation option (Garson, 2005).

Garson (2005) defines factor loading as the correlation coefficient between the items and factors. The factor-loading coefficient used for the analysis of the present study was set at 0.50. Thus, items with factor-loading coefficients less than 0.50 did not correlate with any of the factors, and were subsequently dropped.

Communality for an item is computed as the sum of squared factor loadings for that variable. If the communality exceeds 1.0, there is a spurious solution, which may reflect too small a sample or the researcher has too many or too few factors (Garson, 2005). For the purposes of this study, the researcher set the minimum acceptable item correlation with a factor at 0.50. Thus, items having a lower than 0.50 communality coefficient do not interpret the factors (Garson, 2005).

On the other hand, the main aim of this research is to compare the Libyan private banking sector with the public banking sector in terms of service quality levels, therefore one scale is required to measure service quality in the two groups of banks as this will facilitate

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conducting the comparison between the two banking sectors. In this research adopting factor analysis for the chosen scale before measuring the service quality in the two groups of banks will shift the focus of the research away from its main aim mentioned above. This because factor analysis should be run in the two banking sectors' samples, and this could generate two different scales (one scale for each banking sector) subsequently leading to the impossibility of conducting the comparison between the two groups of banks.

The literature also demonstrated the adoption of standard scales such as the BSQ scale in the case of comparisons without running factor analysis. For instance, Glaveli *et al.* (2006) compared the level of service quality between Greek and Bulgarian banks using the BSQ scale in its original structure before adopting factor analysis, as the main objective of their research was to compare the Greek and Bulgarian banks in terms of service quality. They ran factor analysis later to identify the dimensions of banking service quality in Greek and Bulgarian retail bank customers.

Periduo *et al.* (2007) compared the service quality perceptions among the bank customers of five Balkan countries: Greece, Bulgaria, Albania, Macedonia, and Serbia. The BSQ scale was used to measure banking service quality in those countries before adopting factor analysis which was run later to identify the degree of importance of the service quality dimensions for each country.

Spathis, Petridou and Glaveli (2004) tried to identify the gender-related differences in the quality perceptions of Greek bank customers. They also used BSQ to measure service quality in the Greek banks before running factor analysis. In their research, factor analysis was adopted later to identify the gender-related differences in the degree of importance attached to various dimensions of service quality by customers of Greek banks.

In line with the above view points, the researcher followed the literature, in the sense that an amended BSQ scale (due to the pilot study outcomes) was used to measure service quality within the Libyan private and public banking sectors before running factor analysis, as this will help to address the main aim of this research. Furthermore, the third objective of this research is to identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to the various dimensions of service quality. This requires adopting factor analysis in the two banking sectors' samples.

6.3.3.1 Factor analysis results: Private banking sector

The thirty-one items of the BSQ scale were subjected to PCA and the output was fifteen items (components). Accordingly, a clear factor structure appeared as a result of the factor analysis (PCA) which identified six factors extracted and they accounted for 74.323 per cent

of the variance across the sample (see Table 6.14 below). These six factors are similar to the ones existing in the original BSQ scale but with different importance attached as follows:

1. The first factor extraction is effectiveness and assurance. This consisted of five items which accounted for 19.337 per cent of the total variance in the perceived service quality dimensions.

2. The second factor identified from the principal component analysis is tangible. This included four items which accounted for 15.314 per cent of the total variance.

3. The third factor extraction is access. It consisted of two items accounted for 11.037 per cent of the total variance.

4. The fourth factor is services portfolio, with one item included, and it accounted for 9.771 per cent of the total variance.

5. The fifth factor identified from the analysis outcomes is reliability, including one item, and it accounted for 9.077 per cent of the total variance.

6. The sixth factor is price. It consisted of two items and accounted for 7.839 per cent of the total variance.

All six factors extracted showed Eigenvalue above .1. The Initial Eigenvalues of the six factors are 3.193, 2.297, 1.656, 1.466, 1.362, and 1.176 respectively. According to Garson (2005), the factor that has low Eigenvalue (less than 1.0) is contributing little to the explanation of variances in the variables and may be ignored as redundant compared to important factors. Therefore, only six of the fifteen factors were actually extracted in this analysis. As mentioned above that six factors extractions represent a total of 74.323 per cent of the fifteen items which confirmed the scale representation of all service quality-related items found within the scale.

Table 6.14 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.193	21.283	21.283	3.193	21.283	21.283	2.900	19.334	19.334
2	2.297	15.314	36.598	2.297	15.314	36.598	2.251	15.007	34.341
3	1.656	11.037	47.635	1.656	11.037	47.635	1.743	11.623	45.964
4	1.466	9.771	57.407	1.466	9.771	57.407	1.483	9.887	55.851
5	1.362	9.077	66.484	1.362	9.077	66.484	1.396	9.308	65.159
6	1.176	7.839	74.323	1.176	7.839	74.323	1.375	9.164	74.323
7	.958	6.389	80.712						
8	.759	5.059	85.772						
9	.558	3.717	89.489						
10	.474	3.158	92.647						
11	.377	2.512	95.159						
12	.304	2.030	97.189						
13	.224	1.493	98.682						
14	.131	.877	99.559						
15	.066	.441	100.000						

Extraction Method: Principal Component Analysis.

The above table therefore supports the view that the fifteen items are related to the six factors extracted. There also evidence of high communalities across the scale components (above 0.50) as shown in the table 6.15 below. This indicates that the variables are related to each other, and also that the fifteen items actually interpret the factors extracted.

Table 6.15 Scale Components Communalities

	Initial	Extraction
Confidentiality	1.000	.588
Well-trained personnel	1.000	.877
Delivering when promised	1.000	.807
Feeling of security	1.000	.633
Indications (communications) of quality	1.000	.643
Modern equipment	1.000	.794
Precision on account statements	1.000	.646
Decoration of facilities	1.000	.530
Efficacious work environment	1.000	.915
Sufficient number of ATMs per branch	1.000	.604
Sufficient number of open tellers	1.000	.823
The range of services is consistent with the latest innovation in banking services	1.000	.898
Absence of errors in service delivery	1.000	.554
Reasonable fees for the administration of the accounts	1.000	.807
Good explanations of services fees	1.000	.884

Extraction Method: Principal Component Analysis.

Furthermore, there was evidence about the connection of the fifteen items to the six factors extracted by the rotated factor/component matrix which confirmed the following: five items were used to measure the effectiveness and assurance dimension; four items were used to measure tangibles dimension; two items were used to measure access dimension; one item was used to measure services portfolio dimension; one item was used to measure reliability dimension; and two items were used to measure price dimension. The six factors and their correlated items are clearly shown in the table 6.16 below:

Table 6.16 Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
Delivering When promised	.799					
Well-trained personnel	.796					
Indications (communications) of quality	.744					
Confidentiality	.620					
Feeling of security	.585					
Modern equipment		.922				
Precision on account statements		.699				
Decoration of facilities		.563				
Efficacious work environment		.518				
Sufficient number of ATMs per branch			.792			
Sufficient number of open tellers			.707			
The range of services is consistent with the latest innovation in banking services				.846		
Absence of errors in service delivery					.776	
Reasonable fees for the administration of the accounts						.823
Good explanations of services fees						.644

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

With regard to the reliability of the scale measurement in relation to the items composing each factor, the Cronbach alpha coefficients were calculated and were judged to be satisfactory (between 0.989 and 0.983). Coefficient alpha higher than 0.7 is considered to be good (Nunally, 1978). The Cronbach alpha coefficients also showed high total scale reliability of 0.985.

It can be concluded that the results from using factor analysis prove that the six service quality dimensions of the BSQ scale were identified within the Libyan private banking environment but with different levels of importance attached (effectiveness and assurance, tangibles, access, services portfolio, reliability, and price), and with fifteen related items. Table 6.17 contains the final 15 items. For each item, their means scores, communality loadings, alpha coefficient values are shown. The number of items comprising each factor is given. The total scale reliability and Bartlett's test result are also shown.

Table 6.17 Summary of Results for Factor Analysis of the Scale Dimensions

Total Scale reliability: 0.973 Bartlett's test: p>0.001 Factor	Means	Loading 0.5	Commu-nalities	Alphas	Items	Variance Explained
Factor 1: Effectiveness and Assurance					**5**	**19.337%**
Delivering when promised	5.2405	0.799	0.807	0.986		
Well-trained personnel	5.8000	0.796	0.877	0.983		
Indications (communications) of quality	5.6486	0.744	0.643	0.983		
Confidentiality	5.4838	0.620	0.588	0.985		
Feeling of security	5.3757	0.585	0.633	0.983		
Factor 2: Tangibles					**4**	**15.314%**
Modern equipment	6.0595	0.922	0.794	0.983		
Precision on account statements	5.6649	0.699	0.646	0.983		
Decoration of facilities	5.7919	0.563	0.530	0.983		
Efficacious work environment	5.7243	0.518	0.915	0.983		
Factor 3: Access					**2**	**11.037%**
Sufficient number of ATMs per branch	6.2595	0.792	0.604	0.983		
Sufficient number of open tellers	5.7216	0.707	0.823	0.983		
Factor 4: Services Portfolio					**1**	**9.771%**
The range of services is consistent with the latest innovation in banking services	5.6757	0.846	0.898	0.983		

					1	9.077%
Factor 5: Reliability						
Absence of errors in service delivery	5.9351	0.776	0.554	0.983		
Factor 6: Price					2	7.839%
Reasonable fees for the administration of the accounts	5.1324	0.823	0.807	0.983		
Good explanations of services fees	5.4081	0.644	0.884	0.989		
6 Factors				0.985	15	74.323%

6.3.3.2 Factor Analysis Results: Public Banking Sector

The thirty-one items of the BSQ scale were factor analysed using principal component analysis and the output was fifteen items (components). The outcomes from that factor analysis (PCA) identified that six factors are extracted and they accounted for 66.861 per cent of the variance across the sample (see Table 6.18 below). These six factors are similar to the ones which existed in the original BSQ scale and are also similar to the identified factors in the private banking sector. These results support the outcomes of the pre-test of the scale in this research earlier, since it was validated without making any major amendments.

The ranking of the six dimensions (with the relevant percentages of the total variance explained) was as follows:

1. The first factor extracted is effectiveness and assurance, which consisted of six items accounting for 18.239 per cent of the total variance.
2. The second factor identified from the principal component analysis is access, which included three items accounting for 12.015 per cent of the total variance.
3. The third factor extracted is tangibles, which consisted of two items accounting for 11.326 per cent of the total variance.
4. The fourth factor is services portfolio, with one item included, accounting for 9.564 per cent of the total variance.
5. The fifth factor identified from the analysis outcomes is price including two items and accounting for 8.303 per cent of the total variance.

6. The sixth factor is reliability, which consisted of one item and accounted for 7.323 per cent of the total variance.

All six factors extracted showed an Eigenvalue above .1. The Initial Eigenvalues of the six factors are 2.736, 1.802, 1.669, 1.448, 1.246 and 1.098 respectively, which indicates that the six factors extracted are contributing well to the explanation of variances. As mentioned above the six factor extractions represent a total of 66.861 per cent of the fifteen items which confirmed the scale representation of all service quality-related items found within the scale.

Table 6.18 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.736	18.239	18.239	2.736	18.239	18.239	2.210	14.734	14.734
2	1.802	12.015	30.254	1.802	12.015	30.254	1.797	11.978	26.712
3	1.699	11.326	41.581	1.699	11.326	41.581	1.631	10.875	37.587
4	1.448	9.654	51.235	1.448	9.654	51.235	1.566	10.439	48.026
5	1.246	8.303	59.538	1.246	8.303	59.538	1.470	9.802	57.828
6	1.098	7.323	66.861	1.098	7.323	66.861	1.355	9.034	66.861
7	.932	6.214	73.075						
8	.903	6.021	79.096						
9	.774	5.162	84.258						
10	.647	4.315	88.573						
11	.621	4.142	92.715						
12	.391	2.607	95.323						
13	.357	2.379	97.701						
14	.261	1.742	99.443						
15	.084	.557	100.000						

Extraction Method: Principal Component Analysis.

The above table therefore reveals that the fifteen items are related to the six factors extracted.

There is also evidence of high communalities across the scale components (above 0.50) as shown in the table 6.19 below. This confirms that the variables are related to each other.

Table 6.19 Scale Components Communalities

	Initial	Extraction
Confidence	1.000	.818
Interruption of the service	1.000	.611
Well-trained personnel	1.000	.767
Knowledge of the client on a personal basis	1.000	.750
No delays duo to bureaucratic factors and procedures	1.000	.765
Waiting is not too long	1.000	.639
Sufficient number of ATMs per branch	1.000	.651
Sufficient number of open tellers	1.000	.678
Queues that move rapidly	1.000	.551
Good explanations of service fees	1.000	.635
Reasonable fees for the administration of the accounts	1.000	.792
Cleanliness of facilities	1.000	.631
Decoration of facilities	1.000	.684
Complete gamut of services	1.000	.572
Precision of filing systems	1.000	.543

Extraction Method: Principal Component Analysis.

Furthermore, the study revealed evidence concerning the connection of the fifteen items to the six factors extracted by the rotated factor/component matrix, which confirmed the following: six items were used to measure the effectiveness and assurance dimension; three items were used to measure access dimension; two items were used to measure tangible dimension; one item was used to measure services portfolio dimension; two items were used to measure price dimension; and one item was used to measure reliability dimension. The six factors and their correlated items are clearly shown in the table 6.20 below.

Table 6.20 Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
Confidence	.914					
No delays due to bureaucratic factors and procedures	.810					
Well-trained personnel	.749					
Knowledge of the client on a personal basis	.743					
Waiting is not too long	.586					
Interruption of the service	.504					
Queues that move rapidly		.790				
Sufficient number of open tellers		.738				
Sufficient number of ATMs per branch		.551				
Cleanliness of facilities			.780			
Decoration of facilities			.767			
Complete gamut of services				.683		
Good explanations of service fees					.883	
Reasonable fees for the administration of the accounts					.653	
Precision of filing systems						.599

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

It can be noted that the outcome of factor analysis proves that the six service quality dimensions were identified as having different levels of importance in comparison to the BSQ scale and the dimensions identified within the the Libyan private banks. The service quality dimensions identified within Libyan public banks environment were as follows:

1. effectiveness and assurance;
2. access;
3. tangibles;
4. services portfolio;
5. price; and
6. reliability

With regard to the reliability of the scale measurement in relation to the items composing each factor, the Cronbach alpha coefficients were calculated (between 0.992 and 0.986), and

were judged to be satisfactory (between 0.992 and 0.986). The Cronbach alpha coefficients also showed a high total scale reliability of 0.988.

Table 6.21 shows the final 15 items and their means scores, communality loading, and alpha coefficient values. The number of items comprising each factor, the total scale reliability and Bartlett's test result are also shown.

Table 6.21 Summary of Results for Factor Analysis of the Scale Dimensions

Total Scale reliability: 0.988 Bartlett's test: p>0.001 Factor	Means	Loading 0.5	Commu-nalities	Alphas	Items	Variance Explained
Factor 1: Effectiveness **and Assurance**					6	18.239%
Confidence	2.85	0.914	0.818	0.988		
No delays due to bureaucratic factors and procedures	1.85	0.810	0.877	0.987		
Well-trained personnel	2.53	0.749	0.767	0.987		
Knowledge of the client on a personal basis	1.88	0.743	0.750	0.986		
Waiting is not too long	1.49	0.586	0.939	0.987		
Interruption of the service	1.59	0.504	0.611	0.987		
Factor 2: Access Queues that move rapidly	1.59	0.790	0.551	0.987	3	12.015%
Sufficient number of open tellers	1.50	0.738	0.678	0.986		
Sufficient number of ATMs per branch	1.87	0.551	0.651	0.987		
Factor 3: Tangibles Cleanliness of facilities	2.22	0.780	0.631	0.987	2	11.326%
Decoration of facilities	1.65	0.767	0.684	0.987		

Factor 4: Services Portfolio					1	9.654%
Complete gamut of services	1.58	0.683	0.572	0.987		
Factor 5: Price					2	8.303%
Good explanations of service fees	1.74	0.883	0.635	0.987		
Reasonable fees for the administration of the accounts	4.19	0.653	0.792	0.992		
Factor 6: Reliability					1	7.323%
Precision of filing systems	1.85	0.599	0.543	0.987		
6 Factors					15	66.861%

It can therefore be argued that the study show the BSQ dimensions are very important in the in constituting customers' perceptions of service quality in the Libyan private and public banks, since the factor analysis of the BSQ dimensions shows that the loading factor values for the items that were used to measure BSQ dimensions (the fifteen items of each identified in the private and public banks) were above 0.50, and these results are significant.

It was also noted from comparing the degree of importance attached to service quality dimensions between the private banks' customers and public banks' customers in Libya that private sector banks' customers have identified six factors that were ranked as follows: effectiveness and assurance, tangibles, access, services portfolio, reliability and price. Meanwhile, in the public sector banks the same six factors were identified but with varying degrees of importance as follows: effectiveness and assurance, access, tangibles, services portfolio, price and reliability (see Table 6.22 below).

Table 6.22 Comparison of BSQ Analysis Findings between the Libyan Private and Public Banks

Rank of Factors	BSQ	Private Banks	Public Banks
1	Effectiveness and Assurance	Effectiveness and Assurance	Effectiveness and Assurance
2	Access	Tangibles	Access
3	Price	Access	Tangibles
4	Tangibles	Services Portfolio	Services Portfolio
5	Services Portfolio	Reliability	Price
6	Reliability	Price	Reliability

6.3.4 Data analysis (Phase 4): Analysing participants' characteristics according to bank Status

The main objective of this section is to identify if customer characteristics are related to their banking status. From the Chi-Square test, it is obvious that not all customer characteristics are related to their banking sector at a statistically significant level ($p < 0.05$).

6.3.4.1 Pearson's Chi-Square test of participants' gender according to banking sector

With regard to the relationship between the customer gender and their banking sector, it was noted from table 6.24 below that there is no relationship between the two variables, where p value is 0.71, which is more than the acceptable confidence level (0.05).

Table 6.23 Cross Tabulation: Gender*Bank Status

			Banking Sector		
			Private Sector	Public Sector	Total
gender	Male	Count	361	367	728
		% within gender	49.6%	50.4%	100.0%
		% within sector	97.6%	99.2%	98.4%
		% of Total	48.8%	49.6%	98.4%
	Female	Count	9	3	12
		% within gender	75.0%	25.0%	100.0%
		% within sector	2.4%	.8%	1.6%
		% of Total	1.2%	.4%	1.6%
Total		Count	370	370	740
		% within gender	50.0%	50.0%	100.0%
		% within sector	100.0%	100.0%	100.0%
		% of Total	50.0%	50.0%	100.0%

Table 6.24 Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.049[a]	1	.081		
Continuity Correction[b]	2.118	1	.146		
Likelihood Ratio	3.189	1	.074		
Fisher's Exact Test				.090	.071
Linear-by-Linear Association	3.045	1	.081		
N of Valid Cases	740				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.00.

b. Computed only for a 2x2 table

6.3.4.2 Pearson's Chi-Square test of participants' age according to bank status

The analysis results showed that there is a relationship between customer age and the banking sector where p value is .000 which is lower than the acceptable confidence level

(0.05). See table 6.26 below. Table 6.25 shows the demographic characteristics of the respondents according to age:

Table 6.25 Cross Tabulation: Age*Bank Status

| | | | Banking Sector | | Total |
			Private Sector	Public Sector	
Age	Under 18	Count	9	0	9
		% within age	100.0%	.0%	100.0%
		% within sector	2.4%	.0%	1.2%
	18-24	Count	44	0	44
		% within age	100.0%	.0%	100.0%
		% within sector	11.9%	.0%	5.9%
	25-34	Count	116	47	163
		% within age	71.2%	28.8%	100.0%
		% within sector	31.4%	12.7%	22.0%
	35-44	Count	120	125	245
		% within age	49.0%	51.0%	100.0%
		% within sector	32.4%	33.8%	33.1%
	45-54	Count	71	172	243
		% within age	29.2%	70.8%	100.0%
		% within sector	19.2%	46.5%	32.8%
	55-65	Count	10	26	36
		% within age	27.8%	72.2%	100.0%
		% within sector	2.7%	7.0%	4.9%
Total		Count	370	370	740
		% within age	50.0%	50.0%	100.0%
		% within sector	100.0%	100.0%	100.0%

Table 6.26 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	131.401[a]	5	**.000**
Likelihood Ratio	154.372	5	**.000**
Linear-by-Linear Association	124.639	1	**.000**
N of Valid Cases	740		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 4.50.

6.3.4.3 Pearson's Chi-Square test of participants' occupation according to bank status

The relationship between customer occupation and the banking sector was positive where *p* value is .000 which is lower than the acceptable confidence level (0.05). See table 6.28 below. Table 6.27 shows the demographic characteristics of the respondents according to occupation:

Table 6.27 Cross Tabulation: Occupation*Bank Status

			Banking Sector		Total
			Private Sector	Public Sector	
Employee	Count		0	360	360
	% within occup		.0%	100.0%	100.0%
	% within sector		.0%	97.3%	48.6%
	% of Total		.0%	48.6%	48.6%
Self-employed	Count		227	0	227
	% within occup		100.0%	.0%	100.0%
	% within sector		61.4%	.0%	30.7%
	% of Total		30.7%	.0%	30.7%
Retired	Count		62	5	67
	% within occup		92.5%	7.5%	100.0%
	% within sector		16.8%	1.4%	9.1%
	% of Total		8.4%	.7%	9.1%
Student	Count		39	0	39
	% within occup		100.0%	.0%	100.0%
	% within sector		10.5%	.0%	5.3%
	% of Total		5.3%	.0%	5.3%
Sole servant	Count		42	4	46
	% within occup		91.3%	8.7%	100.0%
	% within sector		11.4%	1.1%	6.2%
	% of Total		5.7%	.5%	6.2%
Other	Count		0	1	1
	% within occup		.0%	100.0%	100.0%
	% within sector		.0%	.3%	.1%
	% of Total		.0%	.1%	.1%
Total	Count		370	370	740
	% within occup		50.0%	50.0%	100.0%
	% within sector		100.0%	100.0%	100.0%
	% of Total		50.0%	50.0%	100.0%

Table 6.28 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	706.884[a]	5	**.000**
Likelihood Ratio	963.108	5	**.000**
Linear-by-Linear Association	303.012	1	**.000**
N of Valid Cases	740		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is .50.

6.3.4.4 Pearson's Chi-Square test of participants' number of branch visits according to bank status

It was also found from the Chi-Square test that there is a positive relationship between the number of branch visits and the banking sector, where *p* value is .000 which is lower than the acceptable confidence level (0.05); see Table 6.30 below. Table 6.29 displays the demographic characteristics of the respondents according to number of branch visit:

Table 6.29 Cross Tabulation: Number of Branch Visits*Bank Status

			Number of branch visits			
			Once a week or more often	Less often than once a week but once a month or more	Less often than once a month	Total
Sector	Private Sector	Count	246	81	43	370
		% within sector	66.5%	21.9%	11.6%	100.0%
	Public Sector	Count	0	272	98	370
		% within sector	.0%	73.5%	26.5%	100.0%
Total		Count	246	353	141	740
		% within sector	33.2%	47.7%	19.1%	100.0%

Table 7.30 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	370.800[a]	2	**.000**
Likelihood Ratio	472.155	2	**.000**
Linear-by-Linear Association	243.156	1	**.000**
N of Valid Cases	740		

a. 0 cells (.0%) have expected count less than 5. The minimum
expected count is 70.50.

6.3.4.5 Pearson's Chi-Square test of participants' relationship with bank (duration of relationship with bank) according to banking sector

With regard to the relationship between the period of dealing with the bank and the banking sector, it was noted from the Chi-Square test that there is a positive relationship between the two variables where p value is .000 which is lower than the acceptable confidence level (0.05), see Table 6.32 below. The demographic characteristics of the respondents according to the period of dealing with bank are shown in Table 6.31 below:

Table 6.31 Cross Tabulation: Duration of relationship with Bank*Bank Status

			Period of relationship with bank				
			More than 5 year	3-5 years	2 years	1 year	Total
Sector	Private Sector	Count	279	70	16	5	370
		% within sector	75.4%	18.9%	4.3%	1.4%	100.0%
	Public Sector	Count	222	74	74	0	370
		% within sector	60.0%	20.0%	20.0%	.0%	100.0%
Total		Count	501	144	90	5	740
		% within sector	67.7%	19.5%	12.2%	.7%	100.0%

Table 6.32 Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	48.974[a]	3	**.000**
Likelihood Ratio	54.067	3	**.000**
Linear-by-Linear Association	27.966	1	**.000**
N of Valid Cases	740		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 2.50.

6.4 Discussion on the Study's Statistical Tests' Results

6.4.1 Mean scores of customers' perceptions of service quality

Descriptive statistics such as means measure were used to examine the levels of service quality as perceived by the customers of Libyan private and public banks. The means measure results showed that private banks outperform public banks in terms of service quality levels as measured by service quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio and reliability. The private banking sector was superior in terms of delivering all six dimensions used in the measurement.

These outcomes were in line with findings of studies by Kangis and Vouklatos (1997), Sureshchandar, Rajendran and Anantharaman (2003). These researchers used different service quality instruments to compare the private banks with public banks in terms of service quality levels and their findings demonstrated the superiority of the private banks.

On the other hand, these research findings in fact explain why customers started moving towards private banks in Libya, since in 2001 there was one private bank (Bank of Commerce and Development) and ten public banks (Central Bank of Libya). Today there are eight private banks and six public banks, which evidently reflects the rapid growth of the private banking sector. In contrast, the number of public banks was reduced from ten banks in 2001 to six banks in 2010 (Central Bank of Libya). A major reason for this is that customers change their service providers when faced with the unsatisfactory resolution of problems (Levesque and McDougall, 1996).

In this decade the Libyan government started implementing the privatization policy within the public banks because of the weak performance associated with this sector (Central Bank of Libya). Additionally, some of the public banks try to benefit from the experience of the international financial institutions to increase the performance levels. For instance, the

management of Al-Gamhuria Bank (a public Bank) has reached an agreement in Jun 2010 with Oxford Prince Group, which is an institution for consultancy and research (Almanara News). Moreover, the Libyan Government has signed a contract in June 2010 with institutions from France and Tunisia to train some of the public banks employees on the international standards of banking services (Almanara News, 2010).

Because these findings showed low levels of service quality in the Libyan public banking sector in terms of all service quality dimensions, the managements of the public banks should focus on the antecedents that play a crucial role in determining the level of service quality and in enhancing customer loyalty and customer satisfaction, which in turn increase the bank's share of customers and in the long run enable the bank to achieve high profitability. The studies of Almossawi (2001), Edris (1997), Johnston (1997), Kangis and Passa (1997) and Levesque and McDougall (1996) identified a set of antecedents that play a very important role in forming the customers' attitudes towards service quality in banks. These antecedents include: the attentiveness and commitment shown by the staff to their customer; friendliness of staff; communication with customer; efficiency of staff and confidentiality of the service; personnel; employees' ability to listen to customer enquiries and react positively to his/her needs and complaints; employees' trustworthiness and demonstration of knowledge; employees' courteousness and responsiveness; help in financial emergencies; bank experience; bank image; knowledge of firm's activities; shorter waiting time and promptness; prompt provision of services and products; size of bank's assets; word of mouth and physical cues; media; competitive finance rates; distributing high profits on savings; price; availability of problem recovery systems; furniture and employees' appearance; functionality of machines; ATMs; reliability of transactions; computers; promises such as error-free statements; and finally, accurate financial transaction.

Table 6.33 summarizes those antecedents which play a vital role in forming the attitudes of customers towards service quality in the bank:

Table 6.33 Factors Contributing to a Successful Delivery of Service Quality in Banks

Factors	Type
Responsiveness	Employee
Personal attention	Employee
Trustworthiness	Employee
Promptness	Employee
Helpfulness	Employee
Friendless	Employee
Willingness to communicate	Employee
Cooperativeness	Employee
Competence skills	Employee
Discrete behaviour	Employee
Interaction skills	Employee
Professional advice	Employee
Past experience	Goodwill
Reputation and image	Goodwill
Progressiveness	Goodwill
Friendly advice	Goodwill
Financial stability	Goodwill
Fees and expenses	Policy
Price	Policy
Timing and opening hours	Policy
Availability of products and services	Policy
Staff training	Policy
Technology-based	Policy
Innovation	Policy
Understanding customer's needs	Policy

Correctness and accuracy	Policy
Queuing	Policy
Time consumption	Policy
Bank procedures	Policy
Clear and accurate bank statements	Process
Confidentiality	Process
Number of ATMs and branches	Building
Accessibility and location convenience	Building

Eventually, continuous improvements in service quality will increase customer retention, loyalty, and referrals. In addition, improving service quality will result in improved employee morale, increased profits, improved productivity and communication in banks.

6.4.2 Independent Samples T-Test results (testing research hypotheses)

An attempt is being made here to study the level of service quality (from the viewpoint of customers) in the Libyan private and public banking sectors. The differences between the two groups of banks in terms of service quality delivered to the customers have been determined using Independent-Samples T-Test. The two groups of banks have been compared in terms of their customers' view of service quality. In order to accomplish this comparison, the hypotheses *H1* to *H7* mentioned above have been tested. It can be inferred from the results that there are significant differences between private and public banks with respect to all the six service quality dimensions (see Tables 7.8 to 7.13). Therefore, H1 to H7 have been accepted.

The above findings revealed that the two groups of banks seem to vary significantly in the level of service quality they deliver to their customers. These results in fact are as anticipated, as there are bound to be significant differences among the two groups of banks, because the two groups of banks themselves are fundamentally different with respect to the nature and scope of their operations and management (Kangis and Kareklis, 2001; Andreassen, 1995; Barth, Caprio and Levine, 1999; Bei and Shang, 2006).

Having empirically established that there are significant differences between the two groups of banks, previous research in this field has also reported similar findings. For instance, Sureshchandar, Rajendram and Anantharaman (2003) compared the private, public and foreign banks in India in terms of service quality and their findings revealed that there are

significant differences between private and public banks with respect to all factors of service quality used in the measurement.

Kangis and Voukelatos (1997) have compared private banks with public banks in Greece and when they applied T-Test on the differences between the mean scores of the two groups of banks, it was noted that in eight out of the twelve service quality items, the differences were statistically significant.

Ultimately, the present study has critically examined the differences between the private and public banks in Libya in terms of service quality (from the perspective of customers). The two groups of banks seem to vary significantly with respective to delivery of the six service quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio and reliability.

6.4.3 Exploratory Factor Analysis results

It was noted from the factor analysis outcome that for private sector banks the first factor explains the higher percentage of variation 19.337% and 18.239% for private and public sector banks respectively. More importantly, the private and public banks' customers emphasise a great degree of importance on effectiveness and assurance dimension as this was ranked as the first factor in both banking sectors. For private banks' customers, delivering the promised service, training the banks' personnel, indications of quality, confidentiality and feeling of security seem to constitute the most important items within the effectiveness and assurance items. For public banks' customers, however, confidence and delays due to bureaucratic factors and procedures are of high importance. The recognition as regular customers means knowing the customer on a personal basis, waiting time, and interruption of the service are proved to be of high value too.

Price is the least important factor for the customers of private sector banks explaining the percentage of variation 7.839 %, while reliability is the least important factor for the customers of public sector banks explaining the percentage of variation 7.323%. The positioning of pricing as the least relevant factors in the formation of service quality perceptions of private banks' customers may be due to the fact that price competition is a recent development in Libyan banking. Reliability is the least important factor for public banks' customers, and this could be due to the fact that the majority of public banks' customers are from public sector's employees. They consider the effective and high speed of service delivery as urgent needs. This is because that they suffering from bad infrastructure associated with public banks (Twati and Gammack, 2007). Although they ranked the reliability dimension as the last factor, this does not mean that the dimension is not important for them; rather, this could be the consequence of prioritising other needs in its place.

When compared with private banks, it is no wonder that public banks, are able to deliver top class service (e.g. ATM, telephone banking, room service facility, and other innovative services) more effectively as identified from the previous analysis in the section of descriptive analysis of service quality. This in fact could make the public banks' customers consider the importance of service quality dimensions based on their needs.

However, the customers of the two groups of banks attach great importance to effectiveness and assurance, and their view of the latter dimension is in line with the findings of studies undertaken by Glaveli *et al.* (2006) and Petridou *et al.* (2007) who argue that effectiveness and assurance are the most important dimensions for banks' customers in Greece, since the effectiveness dimension was ranked as the most important dimension followed by assurance dimension. This view agrees with Bahia and Nantel's (2000) empirical conclusions in that the effectiveness and assurance is the most important dimension for the banking customers in Canada.

According to these findings, the managers of the private and public banks should make a considerable effort to ensure the effective delivery of service (especially the courtesy and friendliness of employees) and the ability of staff to inspire a feeling of security. Also banks managers should make sure that the staff have the ability to deal confidentially with and exhibit their communication skills to clients. Furthermore, the management must guarantee that bank employees are able to show a personal interest in their customers' concerns and understand their needs.

It is therefore argued that the results clearly demonstrate that there is a difference between the ranking of the quality dimensions by customers of the Libyan private and public banking sectors, which addresses the third research objective (to identify if there are differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality).

This analysis should be considered in the light of the following reality- the set of service quality dimensions appeal to customers in varying degree of importance. For this reason, in many cases a quality factor appears to have a low weight factor, however and this does not necessarily mean that it is not important to customers.

The questionnaire used in this study reflected a high degree of reliability, with BSQ dimensions reaching 0.973 within private banks and 0.988 within public banks; this means that the composition of the BSQ scale as a whole is perfectly suitable to measure the perceived level of service quality offered by Libyan private and public banking sectors. The results also showed high percentages of the total variance explained for each dimension within the groups of banks. This in fact reflects the importance of these dimensions in the formation of customer perceptions of the private and public banks regarding the level of

service quality offered by each bank. These results also confirm that BSQ is a standard scale and its dimensions are suitable, valid and reliable for measuring service quality within the banking environment (Bahia and Nantel, 2000; Petridou *et al.*, 2007; Glaveli *et al.*, 2006; Spathis, Petridou and Glaveli, 2004).

However, the evident validity and reliability of BSQ in this research study is not surprising, although it was originally developed in Canada (a Western country). This because the literature clearly supported that some customer satisfaction measures are transferable across cultural and international boundaries. For instance, the study of Veloutsou *et al.* (2005, p. 22) examined a customer satisfaction survey in four culturally diverse contexts, and they found that:
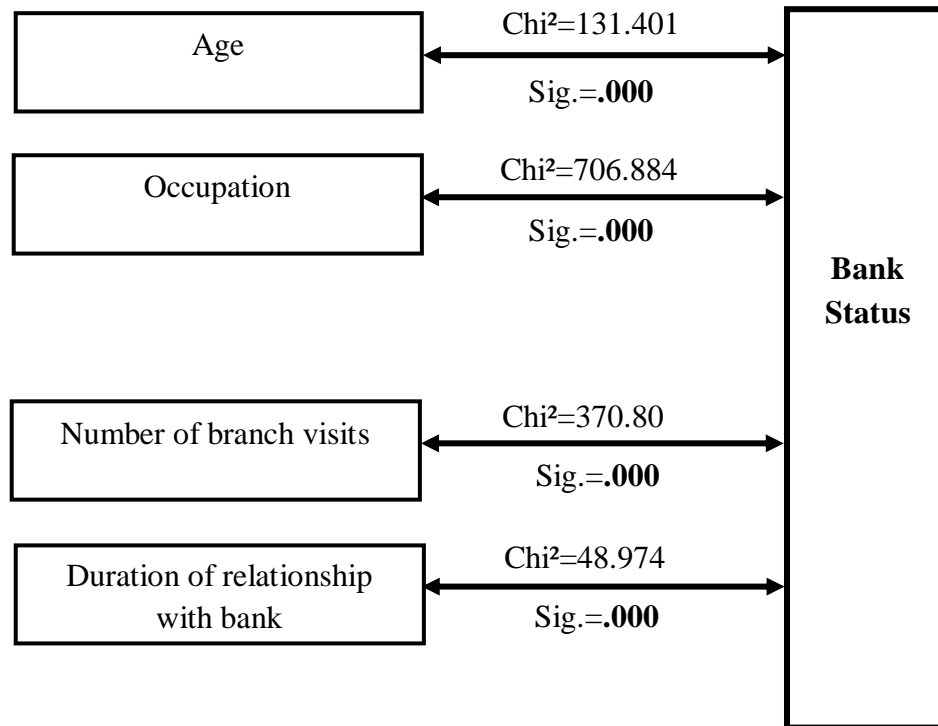
> *"Some common satisfaction measures identified in previous studies can be used to gauge the relative service satisfaction effectiveness across international boundaries. Some slight modifications may improve the reliability and suitability of these measures. However, these modifications are not really necessary, since the original measures are both reliable and valid".*

6.4.4 Pearson's Chi-Square test results

It was noted that a test was carried out to establish the relationship between the demographic factors of customers and the type of banking sector (bank status). The demographic factors included customer gender, customer age, customer occupation, the number of branch visits and the duration of relationship with bank. The results showed that there is no relationship between the customer gender and the type of banking sector, while they showed the existence of a significant relationship between the other demographic variables (customer age, customer occupation, number of branch visits and the duration of relationship with bank) and the bank status. Figure 6.3 sheds light on this relationship. Thus it is recommended to the management of Libyan banks that they consider these pivotal elements when they set out their marketing segmentation plan. Notably, the relationship between the demographic characteristics of the banks' customers and bank status was not examined within the literature of previous research. Therefore, somewhat surprisingly perhaps, it is noted that this study will be the first piece of research to investigate this relationship.

**Figure 6.3 Chi-Square Results for the Relationship between the Customers'
Demographic Characteristics and Bank Status**


```
Age ────── Chi²=131.401 ────── Bank
           Sig.=.000                Status

Occupation ─── Chi²=706.884 ───
               Sig.=.000

Number of branch visits ─── Chi²=370.80 ───
                            Sig.=.000

Duration of relationship ─── Chi²=48.974 ───
with bank                    Sig.=.000
```

6.4.5 The current difficulties confronting public banks in Libya

The descriptive analysis of the Libyan private and public banks revealed that service that is offered by banks in the private sector has a more favourable influence on actual perceptions of quality received than is the case with service from banks in the public sector. It was also demonstrated from the Independent Samples T-Test that there are significant differences between the Libyan private and public banks in terms of all service quality dimensions used in the measurement. This in fact suggests that public sector banks do not manage the factors influencing quality perceptions as do banks in the private sector, hence the lower level of perceived service quality received. Consequently, customers will start drifting from the public to the private sector if service quality as perceived does matter to them (Kangis and Voukelatos, 1997).

Nevertheless, public banks in Libya are just like other public banks in the region especially Arab countries, in that they are suffering from many deficiencies and are confronted with a number of obstacles in different directions: for instance, research and development efforts, in the efficiency of management practices, and the continued measurement of service quality. In view of the above discussion, some researchers have investigated why public banks are commonly associated with low performance. For instance, Kangis and Kareklis (2001) pointed out that public banks are under greater political control, are considerably more

bureaucratic, and appear less concerned about the profit. They also add that there is a political imperative on public banks to serve less profitable and poorer customers. Therefore, considering the private sector as composed of profit-seeking organisations has led to the neglect of public services (Andreassen, 1995).

Within the outcomes of the study of Ti Bei and Shang (2006), it was revealed that public organisations rely on government for large part of their funding, while these organisations merely receive a small amount from market user fees, which reflects that public banks tend to be associated with poor marketing strategies (Barth, Caprio and Levine, 1999). It was also clear from the findings of the study of Ti Bei and Shang (2006) that public banks have no competitive advantage compared with their private competitors. Also, they found that there were no training programs for public banks' employees including two areas. The first is customer-oriented service standard for enhancing the employees' basic performance. The second area is service related information for improving employees' understanding of service.

With regard to the current difficulties confronting public banks in Libya, the empirical results of the present study have shown the areas of weakness associated with public banks. For public banking services, there was a low level of quality for all service attributes (see Tables 6.2 to 6.7). The results are 2.4242, 1.5593, 2.2270, 1.9689, 1.5513 and 1.6945 for the services quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio and reliability respectively.

Following the service literature, the problems associated with Libyan public banks can be diagnosed in the form of managerial difficulties and accessibility and technology-related difficulties.

6.4.5.1 Managerial Difficulties

Following service literature, it was noted that there are certain factors which lie behind the existence of the service quality gaps (Zeithaml, Parasuraman and Berry, 1990; Parasurman, Zeithaml and Berry, 1988; Zeithaml, Berry and Parasuraman, 1992).

Zeithaml, Parasuraman and Berry, (1990) did mention that four major gaps may exist and prevent the organisation from reaching a high level of service quality. These gaps are caused by managerial practices and are as follows:

1. Gap One: the management and employees do not have the knowledge and are unaware of the customers' needs as a result of failing to conduct appropriate research and development or not recognising and implementing research findings, along with weak upward communication.

2. Gap Two: absence of management commitment and an absence of service quality standards.

3. Gap Three: existence of difficulties which are related to employee performance; for instance, employee job-fit, role conflict, role ambiguity, supervisory functions, control, team working and technology.

4. Gap Four: absence of horizontal communication and tendency to publicize unrealistic promises.

In this regard, the Libyan public banks appear to be in need of investing more funds in management skills training, setting training plans for their employees, empowering employees by giving them responsibilities and a real voice, encouraging employees to see service quality as their responsibility, enhancing upward and downward communications, and building rewards systems and continuous improvement. In particular, the findings of this study confirm those of another study, which demonstrated that the public banking sector is not yet up to the task (unlike the private banking sector) of respecting the quality of services they deliver in terms of diversity, the range of service offered, depth, and intensity (Sureshchandar, Rajendran and Anantharaman, 2003). It can be argued that part of the responsibility for the low performance of public banks can be directed to managers.

Within literature, it was suggested that management should have a flexible organisational structure as part of their modern vision and strategy. Figure 7.4 shows the traditional and modern model of organisational structure:

Figure 6.4 Traditional versus Modern Organization Chart
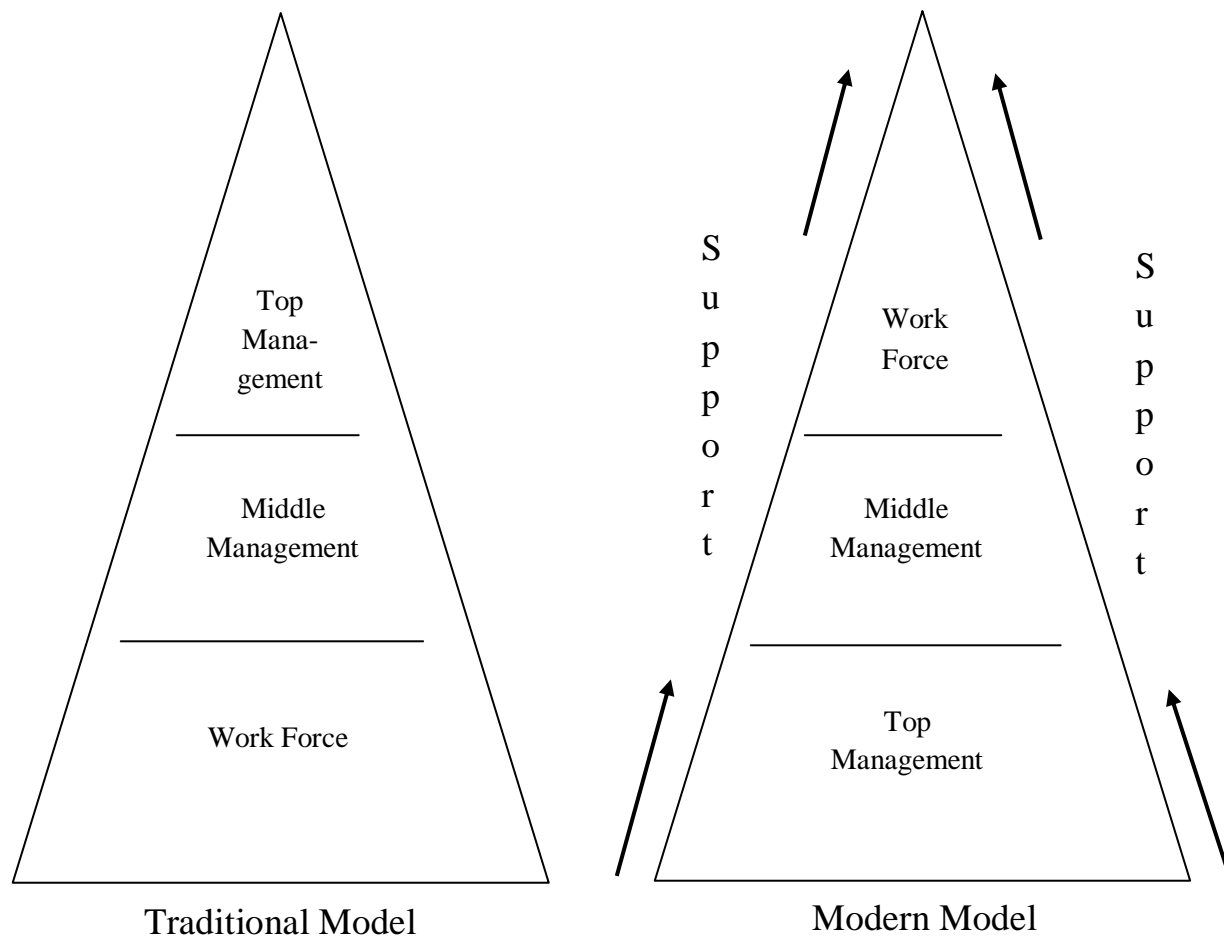
Source: Obaid (2006, p. 224)

Zeithaml, Berry and Parasuraman, (1992) have also stated that the extent of communication between managers and employees is the most important antecedent of service quality. Additionally, there are number of elements that can be categorised under the levels of management. These elements are the layers that may exist between the top managers and customer contact personnel, which in turn affect the size of service quality gap (Grapentine, 1998).

In addition, managers negatively affect service quality levels when they ignore their role in providing the required resources for service quality programmes and also when they are away from their commitment in providing the consistent and effective strategies for designing and delivering the desired service quality levels. In view of the above discussion the successful bank management has a pivotal role in delivering the desired levels of service quality. As identified in this research, public banks providing low levels of service quality to

their customers in terms of all service quality dimensions and literature clearly suggests that management could be one source of the problems associated with public banks.

6.4.5.2   Accessibility and technology-related difficulties

The findings of this research have revealed that Libyan public banks have recorded low levels of service quality regarding access dimension (1.5593) which obviously indicates the existence of accessibility and technology difficulties. Accessibility and technology cannot be separated and this was reflected within the items used to measure the access dimension. These research findings agree with Twati and Gammack's (2007) view, in the sense that they have examined the technology level in the public banking sector and have indicated that the Libyan public banks are still dealing with customers in an inefficient manual way. On investigating the role of technology in delivering high levels of service quality, the work of Zeithaml, Berry and Parasuraman, (1992) indicated that the failure to set out the requisite technology level for formalizing the standards of hardware and software programs will decrease the competence of service quality processes. The researchers clearly link the technology with the successful delivery of service quality when they describe how using effective technologies quickens responses and facilitates problems recovery of service quality.

The access dimension refers to the speed of service delivery (Petridou *et al.,* 2007; Glaveli *et al.,* 2006). Customers today are highly sensitive to the speed of service delivery (Johnston and Clark, 2005), and studies have shown that they usually overestimate the time taken to deliver a service (Hornik, 1984). It was suggested that some people prefer to perform the service themselves, specifically to reduce delivery time (Lovelock and Young, 1979). This may be explained by Maister's (1985) observation that unoccupied time feels longer than occupied time. Maister also mentions that slow service delivery affects our overall perceptions of service quality. Thus, if customers expect that a service will be delivered speedily they are likely to evaluate the service more highly (Dabholkar, 1995).

It can be concluded that there are problems related to the speed of service delivery in Libyan public banks which in turn affected the overall perceptions of the customers in those banks.

6.5 Summary of Research Outcomes

Evidence arising from this research investigation, confirms and supports the view that there are significant differences between the Libyan private and public banking sectors in terms of customers' perceptions of service quality. This conclusion was reached after measuring service quality in the two banking sectors separately using a revised BSQ (Banking Service Quality) scale.

The findings above therefore address the main aim of the study (To identify if there significant differences between the Libyan private and public banking sectors in terms of customer perceptions of service quality) and provides an answer to the research question:

Are there significant differences between the Libyan private and public banking sectors in terms of customers' perceptions of service quality?

In addition, the study addressed the following research objectives:

1. To explore literature on the concept of service quality.
2. To examine various approaches in measuring service quality with focus on banking service quality measurement.
3. To identify the actual levels of service quality provided to banks' customers in Libyan private and public banking sectors.
4. To identify the differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality.
5. To identify if the customer demographic characteristics are related to their banking sector (bank status).

Accordingly, the findings from the research show that:

1. To address the first and second research objectives the literature was reviewed with regard to the areas of service quality concept and measuring service quality.
2. The levels of service quality provided by private banking sector to their customers with regard to all service quality dimensions are high, while the levels of service quality provided public banking sector to their customers with regard to all service quality dimensions were low.
3. There are differences between the Libyan private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality. The private banks customers ranked the six dimensions as effectiveness and assurance, tangibles, access, services portfolio, reliability and price, while the public banks customers ranked the six dimensions as effectiveness and assurance, access, tangibles, services portfolio, price and reliability.
4. Not all customer characteristics are related to their bank status. The results show that there is no relationship between customer gender and bank status, while there is a positive relationship between bank status and demographic variables of customer age, customer occupation, the number of branch visits and duration of relationship with bank.

6.6 Chapter Summary

This chapter investigated the service quality levels provided by the Libyan private and public banks. The chapter also examined the research hypotheses concerning the differences between private and public banks in terms of customers' perceptions of service quality. These hypotheses, together with a summary of the test results are shown in table 6.34 below. In addition, in this chapter the dimensions of BSQ were factor analysed to compare the private and public banks' customers in terms of the degree of importance attached to various dimensions of service quality, and also to examine the suitability and validity of the six service quality dimensions - effectiveness and assurance, access, price, tangibles, services portfolio and reliability - for measuring service quality levels within Libyan banks.

This was followed by Pearson's Chi-Square analysis to investigate the relationship between the participants' demographic characteristics and bank status. The chapter also discussed the results of statistical tests used in this study.

Based on the research hypotheses test results and the results of other statistical tests used in the present study, the next chapter will present the research findings and implications. The next chapter will also introduce the reader to the research contribution, limitations and suggestions for future research.

Table 6.34 Summary of Hypotheses Testing

Hypotheses		Results
H.1.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the the effectiveness and assurance dimension.*	Supported
H.2.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension.*	Supported
H.3.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension.*	Supported
H.4.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension.*	Supported
H.5.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension.*	Supported
H.6.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension.*	Supported
H.7.	*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to all service quality dimensions taken together.*	Supported

Chapter Seven

Conclusion and Recommendations

Chapter 7: Conclusion and Recommendations

7.0 Introduction

This study aimed at measuring the perceived service quality of the Libyan private and public banking sectors to identify if there are significant differences between the two groups of banks in terms of customer perceptions of service quality.

This chapter will present the conclusion that arises from the discussion of the study's findings. It begins with the presentation of the brief review of the research theoretical background and research findings.

Then, implications of the study are provided. In addition, a discussion on research contributions is made. Finally, limitations of the study and generalization issues are considered. The chapter ends by providing recommendations for future studies.

7.1 Chapter Objective

The purpose of this chapter is to extract valuable insights and conclusions with regard to the findings, contribution and implications of the study.

7.2 Brief Review

Evidence from various studies supports that private banks outperform public banks with respect to service quality levels (Kangis and Voukelatos, 1997; Bei and Shang, 2006). Although, much has been written on the topic of service quality, there is no research investigating the differences between the private and public banks in terms of the perceived service quality in a developing country such as Libya. However, the existing literature extensively supported the idea of conducting research into the topic of service quality in different environmental circumstances, because environmental and cultural factors could affect customer perceptions of service quality (Furrer, Liu and Sudharshan, 2000; Witkowski and Wolfinbarger, 2000).

Therefore, an analysis of banks in Libya from a "service quality perspective" should be an interesting prospect. Such an investigation may provide the banks with subtle, intricate information that will help them to reach the elusive competitive edge they are searching for. Furthermore, these service quality issues have long been ignored in developing economies when compared to research carried out in developed economies such as USA and Europe (Firoz and Maghrabi, 1994; Kassem, 1989).

This study on banking service quality has been dominated by research aimed at measuring the perceived service quality of the Libyan private and public banking sectors. The study

used a modified BSQ scale which was originally developed by Bahia and Nantel (2000), and comprised six service quality dimensions of effectiveness and assurance, access, price, tangibles, services portfolio and reliability. It was proved within the literature that these six service quality dimensions are valid and suitable for the effective measurement of service quality within the banking environment (Glaveli *et al*., 2006; Petridou *et al*., 2007; Spathis, Petridou and Glaveli, 2004). After the pilot study, BSQ scale was slightly amended; basically, the alterations entailed rewording some of the scale items. The statistical analysis of the study showed that the six service quality dimensions mentioned above are indeed valid, reliable and suitable to measure service quality within Libyan banks which helped to achieve the research objectives.

7.2.1 Brief review of research theoretical background

The most important questions that have been extensively debated within the research literature over the last three decades are *what is perceived service quality? How must service quality be measured?* (Parasuraman, Zeithaml and Berry, 1985, 1988, 1994; Cronin and Taylor, 1992; Brady and Cronin, 2001). In order to provide answers for these two questions, the literature on service quality proposed numerous models originating from different researchers across the world. Chapter Two of this research reviewed some of these models.

It was identified that within the literature review of this research, service quality models have really contributed a better understanding of the service quality concept. Overall, the theoretical framework of service quality can be described through two schools of service quality models. These schools are North American School (Gap Analysis Model) and Nordic School.

- *The North American Gap School:* This model is the most widely reported theoretical framework of service quality and it was suggested by Parasuraman, Zeithaml and Berry (1985). Gap Analysis Model identifies a set of gaps that exist relating to executive perceptions of service quality and the tasks linked with service delivery to customers. According to their view, service quality gaps are measured by the difference between the two scores- performance-minus-expectations (P-E).

- *The Nordic School:* This model was developed by Gronroos (1984). Here, service quality is conceptualised as the result of a comparison between expected service and perceived service. Groonroos also argues that perceived service quality is being assessed by technical and functional dimensions. Technical dimension refers to what a consumer perceived during their interaction with the service, while functional dimension refers to how technical quality is transferred to the customers.

The two models were integrated later into one model which is Hierarchical model. This model was developed by Brady and Cronin (2001), and they concluded in their model that perceived service quality is based on three dimensions of customer employee interaction, service environment and outcome. Within this model it was supported that service quality is a multidimensional and multilevel construct. For each dimension there are three sub-dimensions which form the perception of that dimension. The combined perception of interaction quality, physical environment quality and outcome quality could lead to the overall service quality perception.

All these three models share a common aspect in that they propose a multidimensional service quality conceptualization which was originally linked to the measurement of customer perceptions of service quality. It can therefore be argued that service quality models offer a framework for understanding the concept of service quality as well as how service quality can be measured through each proposed conceptualization.

More recently, marketing literature has offered another classification of service quality models as Martinez and Martinez's (2010) work has classified service quality models into three distinct groups, showing their conceptualization:

- *Multidimensional reflective model:* This model suggests that the proposed dimensions have different forms as shown by perceived service quality. Similarly, these dimensions result in variations in their respective subdimensions, and, lastly, the indicators are observable representations of each subdimension (e.g. Hierarchal model).

- *Multidimensional formative models:* The service quality construct is built by its dimensions and this does not exist separately from its dimensions. SERVQUAL and SERVPERF are conceptually the best examples of these kinds of models. These models proposed that perceived service quality is derived from dimensions. Accordingly, dimensions and service quality are not separate concepts.

- *Multidimensional formative-reflective model:* This kind of model includes both the formative and reflective approaches whereby service quality construct is built by the primary dimensions. These dimensions are reflected by several sub dimensions which act as indicators of the dimensions (e.g. Hierarchal model). Furthermore, additional items can be added to measure the dimensions and subdimensions.

Following the literature review in Chapter Two, the thesis also focused on studying various methods employed to measure service quality as an alternative conceptualization of service quality. For instance, several studies suggest using modified versions of SERVQUAL model based on the industry that the scale is being employed for (Cronin and Taylor, 1992; Parasuraman, Zeithaml, and Berry, 1991, 1994; Bahia and Nantel, 2000). This study

therefore supports these previous studies resulting in the successful conceptualization and measurement of service quality by the use of modified SERVQUAL instrument based on the banking industry (BSQ Scale).

The SERVQUAL scale developed by Parasuraman, Zeithaml and Berry (1988) comprises 22-items which measure service quality along five dimensions, namely: reliability: responsiveness; assurance; empathy; and tangibles. This scale forms the foundation on which all other works have been built. Although, it was widely used by researchers, the conceptualization, operationalization, dimensionality, measurement and applications of SERVQUAL have been subjected to a number of criticisms (Cronin and Taylor, 1992; Carman, 1990; Buttle, 1996). Having established such apprehension on the efficacy of SERVQUAL across different service settings, the major problems associated with the scale are its dimensionality, universality, and the use of the perception-expectation disconfirmation approach. In an effort to conceptualize service quality (by taking into account the aspects of customer-perceived service quality including those related to banking), Bahia and Nantel (2000) modified SERVQUAL model. They identified six factors of service quality as referred to above in order to form the BSQ instrument which has been developed in order to optimally capture all the aspects of service quality, and specifically address the issues of the banking industry. Therefore, they incorporated additional items such as access as suggested by Carman (1990), and they also incorporated items which represent the marketing mix of the "7Ps" (product/service, place, process, participants, physical surroundings, price and promotion) as identified in the framework of Boom and Bitner (1981) cited in Bahia and Nantel (2000). In comparing BSQ with SERVQUAL, it was argued that the distinctive feature of BSQ for banks is related to its content validity. For instance, the price dimension and services portfolio dimension are absent from SERVQUAL. It is for this reason (content validity) that the BSQ was chosen for measuring service quality levels in Libyan banks.

The conclusion that emerges from the discussion and debate is that the conceptualization and measurement of perceived service quality remains a controversial topics in the service marketing literature to date, as the necessity of building more creative models of service quality is still stressed within the literature (Martinez and Martinez, 2010), because of shortcomings that accompany the existing models.

7.2.2 Review of research findings

The main aim set for this research study was to establish if there are significant differences between the Libyan private and public banking sectors in terms of service quality levels as perceived by banks' customers. This aim comprises a number of objectives, whose methods of achievement are summarized and discussed later in this section. In order to detail the

major findings of the study, it was worth mentioning that five statistical techniques were employed in this research to analyze the empirical data collected from customers in the Libyan private and public banks, they are: means measure, Independent Samples-T Test, Cronbach's coefficient alpha, Factor Analysis, and Pearson's Chi-Square, using SPSS, version 16. These statistical tests were used to analyze 740 usable data from an administered 2000 questionnaires with 37% response rate. The hypotheses associated with the above study aim were developed as a result of the literature reviews. Based on the research aim and objective, research findings could be classified under four categories: the first category is the finding from means measure, the second category is the finding from Independent Samples-T Test, the third category is the finding from Factor Analysis, and finally the fourth category is the finding from Pearson's Chi-Square.

First, finding from means measure. This finding is relating to addressing the third research objective (To assess the service quality levels provided to banks' customers in the Libyan private and public banking sectors). Mean scores of the items comprising the six dimensions used in the measurement were calculated. The mean measure results show that customers of private banks had higher perceptions than customers of public banks with respect to all six service quality dimensions (effectiveness and assurance, access, price, tangibles, services portfolio, and reliability). The results also showed that the biggest difference is related to the access dimension followed by the reliability dimension, then the services portfolio dimension followed by the tangibles dimension, price dimension, and the effectiveness and assurance dimension.

Second, finding from the Independent Sample T-Test. This finding addresses the research aim, to answer the research question (Are there significant differences between the Libyan private and public banking sectors in terms of the perceived service quality levels, and to test research hypotheses. Independent Samples T-Test results propose that there are significant differences between the Libyan private and public banking sectors regarding the effectiveness and assurance items, therefore Hypothesis 1 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the effectiveness and assurance dimension*) is accepted. It was also found that there are significant differences between the Libyan private and public banking sectors regarding the access items, therefore Hypothesis 2 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the access dimension*) is accepted. In addition, the results of the statistical test suggest that there are significant differences between the Libyan private and public banking sectors regarding the price items, therefore Hypothesis 3 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the price dimension*) is accepted. The results also showed that there are significant differences

between the Libyan private and public banking sectors regarding the price items, therefore Hypothesis 4 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the tangibles dimension*) is accepted. Furthermore, the findings indicated that there are significant differences between the Libyan private and public banking sectors regarding the services portfolio items, therefore Hypothesis 5 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the services portfolio dimension*) is accepted. Also there are significant differences between the Libyan private and public banking sectors regarding the reliability items, therefore Hypothesis 6 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to the reliability dimension*) is accepted. The statistical test results also showed that there are significant differences between the Libyan private and public banking sectors regarding all service quality dimensions taken together, therefore Hypothesis 7 (*There are significant differences between the Libyan private and public banking sectors in terms of service quality with respect to all services service quality dimensions taken together*) is accepted.

Third, finding from Factor Analysis. This finding addresses the fourth research objectives (To compare customers of Libyan private and public banks in terms the degree of importance attached to various dimensions of service quality). The Factor Analysis results show service quality dimensions comprising the BSQ scale are very important in forming customers' perceptions of service quality in the Libyan private and public banks, since the results illustrate that the loading factor values for the items that were used to measure BSQ dimensions (the fifteen items of each identified in the private and public banks) were above 0.50 and these results are significant. It was also observed from comparing the degree of importance attached to the service quality dimensions between the private and public banks' customers that private sector banks' customers have identified six factors that were ranked as follows: effectiveness and assurance, tangibles, access, services portfolio, reliability and price. While, in the public sector banks the same six factors were identified but with different degree of importance as follows: effectiveness and assurance, access, tangibles, services portfolio, price and reliability.

Fourth, finding from Pearson's Chi-Square test. This finding addresses the fifth research objective (To identify if there are relationship between the customer demographic characteristics and bank status). The results showed that there is a relationship between demographic variables of age, occupation, number of branch visits, and duration of relationship with bank status, while there is no relationship between demographic variables of gender and bank status.

These research findings have important empirical implications as discussed and presented below.

7.3 Implications of the study

These research findings provide interesting insights and generated theoretical implications, managerial implications and implications for marketing management practices and human resource management, which still need to be considered within the public banking sector (since the present research results showed that customers of public banks in Libya expressed low perceptions of service quality).

7.3.1 Theoretical implications

This study has demonstrated that the dimensions of the BSQ model which were used to measure the perceived service quality of Libyan private and public banking sectors, are characterized by a good level of validity and reliability; it is therefore appropriate for measuring the perceived level of service quality in the Libyan banks.

This study also confirms the findings of other studies which demonstrated that private banks outperform public banks in terms perceived service quality levels (Kangis and Voukelatos, 1997; Sureshchandar, Rajendaran and Anantharaman, 2003).

7.3.2 Managerial implications

Amongst the research findings of this study, it was found that Libyan public banks expressed low levels of perceived service quality with respect to all dimensions, and by following the literature, the problem can be attributed to the fact that Libyan public banks are suffering from managerial difficulties (Zeithaml, Parasuraman and Berry, 1990; Parasuraman, Zeithaml and Berry, 1988; Zeithaml, Berry and Parasuraman, 1992). On the basis of these results, the following recommendations are suggested in order to improve managerial practices and service quality levels in public banks as well as in private banks in Libya.

1. The organisation chart seems to be old style and hierarchal and this is the case in many developing countries especially within public sector (Al-Hassani, 2004). This kind of organisation chart is includes a large number of complicated management levels and communication channels, which lead to the presence of role ambiguity, lack of empowerment, and lengthy procedures. Furthermore, the large number of levels between top and bottom management could lead to miscommunication; therefore, it is suggested that banks should work to minimize the number of these levels of management. A modern organisation chart is suggested for public banks, as this chart is characterized by acceptable levels of authorization and delegation of

responsibilities, and enables essential upward and downward communications (see Figure 6.4, Chapter Seven).

2. Libyan banks' management is encouraged to improve the communication between advertising departments and employees who come into contact with customers, and to avoid exaggeration in advertisements. The only effective way to improve communication and improve service quality standards is the establishment of functional, horizontal and vertical communication (Gillian and Mahmoud, 2001). In addition, managers should select service champions who can create plans and supervise the implementation of service improvement (Zeithaml, Parasuraman and Berry, 1990). Also, they recommended that the management establishes a quality leadership team (QLT), whose responsibility is to lead the programme of service quality, supervise the service quality training plan, hold the proper quality documentation including quality measurement, strategy, objectives, goals, values, and build quality indicators, in addition, service quality leadership team should assign a key contact person (KCP) in each branch to strengthen the relationships with banks' customers (Young, 1992).

3. Employees should be confident about how to perform their jobs, as role conflict and ambiguity can make their confidence decline (see Chapter Two). Therefore, managers should find ways to prevent this from happening. Otherwise, this will lead to a decrease in customers' perceived service quality. Role ambiguity also reduces the ability of an employee to adapt to the change in the service encounter. Managers should make every effort to ensure that the role of employees is fully understood by them. Even so, effective training programmes can help relieve employees' role ambiguity (Hartline and Ferrell, 1993). Reducing role conflict may depend on the managers' communication with their employees (Reardon and Enis, 1990). Management ability to effectively alleviate the employees' role conflict and ambiguity, and emphasizing the objective of superior service quality play a vital role in enhancing customer service. Managers should also be aware that supervision style has a significant impact on external service quality. Supportive supervision with respect to motivating staff and giving them regular feedback about their performance has an important role in helping contact employees meet the needs of the bank customers. In addition, the working environment in the organization plays a vital role in enhancing employees' performance. Managers must find ways to make the working environment supportive and more comfortable to contact employees. In reality, a good working atmosphere with regard to employees' supportive supervision and comfortable working environment could positively influence the organization's service quality. Moreover, managers should be aware that employees

service vision has a direct impact on customers' perceptions of service quality (Berry, Parasuraman and Zeithaml, 1994; Bitner, Booms and Tetreault, 1990; Jones and Sasser, 1995). Managers must reinforce the importance of service quality and customer satisfaction by consistently communicating a service vision for the firm. Moreover, getting employees to feel responsible for meeting and exceeding customer needs, and creating lasting impressions of the bank are important in delivering high levels of service quality. It can be argued that, having service-oriented people at all levels of the organization is linked with an organization's ability to improve customer service. In addition, the challenges for the service managers are to select and recruit employees who have the ability to deal with external customers. In recruiting employees, the managers have to be sure that contact employees have the skills to satisfy bank customers' needs. Managers are recommended to find different ways to increase contact employees' job satisfaction. The service encounter lies in the interaction between contact employees and customers; satisfied employees are more likely to engage in behaviour that assists and satisfies customers, because employees who perceive high levels of job satisfaction will have higher levels of work effort and job performance. Meeting employees' wants and needs is very important to increase staff job satisfaction. By meeting the needs of personnel, the bank upgrades its capabilities for satisfying the needs of its customers.

4. The research findings suggested that public banks are suffering from technological difficulties. It is worthy mentioning that technological support has a positive impact on contact employees' performance and a bank's service quality. Having effective technology helps employees to perform the job effectively and deliver a superior customer service (Lytle, Hom and Mokwa, 1998). Having high standards of technology helps contact employees to provide an error-free and fast service to bank customers, and also provide employees with easy to access information about external customers. Therefore, managers must find ways to improve bank technology. Furthermore, providing resources required for service quality enhances the technology standards of the bank.

5. Managers should be aware of the importance and role of training in improving customer service in banks. The findings of the present study showed that, Libyan public banks' customers expressed low perceptions for the items matching employees training (item 6: The bank has well-trained personnel, item 7: Bank personnel have the knowledge to answer your questions); the results were 2.5325 and 1.8784 respectively. In such case, managers should train employees on how to provide high levels of service quality, and how to improve their communication,

teamwork and information technology skills. Moreover, management must try to increase the resourses committed to training programs, especially, the quality training programmes. Management must also attempt to recruit highly qualified human resource directors who have a solid background in service quality and thus able to prepare training programmes, set self-development plans for employees and develop strategic planning for managers.

6. Top Management style should involve open, strong, visible and charismatic leadership. It should also support and commit to service quality.

Overall, it can be concluded that within the creative management of the construct of service quality, managers may contribute to the achievement of both external marketing goals and internal bank goals, as improving the level of service quality provided to the customers may help to benefit the public bank, in terms of customer satisfaction, customer loyalty and then profitability.

7.3.3 Implications for marketing management practices

It is recommended that Libyan banks should work on improving their marketing strategies and policies to enhance the levels of service quality, and this may include the following:

7.3.3.1 Monitoring customer perceptions of service quality

It can be argued that good service quality raises customer perceptions and as a result if the bank fails to manage customer perceptions, service quality levels may decrease. Therefore, there should be frequent investigation and monitoring of customers' perceptions, which should substantial and continuous (Rust, Zeithaml, and Lemon, 2000).

7.3.3.2 Application of the service quality instrument

As can be seen from the findings of the present research, customers of private and public banks have ranked all service quality dimensions used in the scale as important dimensions including effectiveness and assurance, access, price, tangibles, services portfolio, and reliability. This in fact reflects the suitability, validity and reliability of the BSQ dimension as an effective measurement of service quality in the Libyan banks. Therefore, using this instrument on regular basis can be useful for identifying the levels of service quality provided as perceived by the banks' customers, and also allows comparisons to be made across different parts of the same service on a geographical or other demographic basis. Moreover, considering the application of the service quality instrument could help banks diagnose where performance improvement can best be targeted.

In the present research study, it was noted from the means measure results that mean scores of customers' perceptions of all six service quality dimensions in Libyan public banks were low, and thus the public banks need to allocate resources to these items comprising the six dimensions in an attempt to reduce the magnitude of the low perceptions. If customer perceptions are close to seven (as the scale is Seven-Point Likert) the customer needs are fully met and the banks need take no action.

Although, the public banks' customers have recorded low perceptions with respect to all six dimensions, the lowest perceptions scores were related to access (1.5593) and the services portfolio (1.5513) dimensions. If the managers prefer to diagnose performance on a more general level, the same methodology could apply to the service quality dimensions, and information on service quality perceptions could also help banks to understand performance weaknesses. In some cases, managers may consider that the results obtained using a service quality measurement instrument are probably not completely objective nor a very accurate representation of the true picture, but they should recognise that the application of such instruments is useful to help identify the direction in which the bank should move.

In addition, there remains the question of what the present instrument is measuring. For instance, one needs to examine the influence of reputation in measuring customers' perceptions. The reason for examining this relationship is because the survey scores might reflect on reputation than on bank performance. In this regard, Newman's (2001) study of banking, found that only five points could separate the best and worst performance for the banks' branches of a network reach over 850, and also that the biggest noted change in SERVQUAL scores coincided with promoting the corporate image (reputation) in the media.

As identified within Chapter Two of this research (section on customer perceptions), previous research significantly emphasised the importance of corporate image or reputation in formulating the customers' perceptions. Brown and Swartz (1989) for example isolated a number of factors influencing customers' perceptions of service quality. Amongst these factors, corporate image had a significant impact on the perception formulation process. They also proposed that corporate image can be taken as mediator and influencer of filter of service quality. Similarly, Newman (2001) stated that, in the UK, the success of new entrants with powerful brand names in various industries propose that company image or reputation overrides service quality perceptions. In the same context, Nguyen and LeBlanc (1998) supported the view that corporate image or reputation is a component which considered as an important element in determining customer perceptions of service quality.

The instrument used in this study included one item "The bank has a good reputation" which expresses the very important element of forming customer perceptions of service quality. Bearing this in mind, Libyan banks can benefit from the application of such instrument in

controlling and managing customer perceptions of service quality, as if reputation of the bank is good in the mind of a customer, problems with the outcomes or the process, which this customer may have, to some extent are likely to be excused by the image perceptions. If the image is negative, quality problems are more likely to be perceived as worse than they are in reality.

7.3.3.3 Marketing segmentation

Findings of the present study confirm that there is a relationship between customers' demographic characteristics of age, occupation, number of branch visits and period of relationship with bank status. It is therefore recommended that special attention be paid to theses four categories when banks set out their marketing segmentation plan.

7.3.3.4 Service quality improvement process

Quality improvement in the Libyan public banking sector is urgently recommended as a result of low levels of service quality currently being provided to their customers (see Chapter Six) and also in view of the presence of the competitors such as private banks. Otherwise customers will continue moving towards private banks, because the major reason why customers change their service provider is encountering unsatisfactory problem resolution (Levesque and McDougall, 1996).

Ballantyne (1993) identified a number of actions for the purpose of improving service quality:

1. Designing a good fit for performance measurement, customer satisfaction measurement, staff motivation, and rewards paid through framework of the service quality programme.
2. Organising service offering by the assignment of tasks, procurement of resources, acquisition of personnel and facilities and execution of the plan.
3. Reassessing the historic role of managers in the planning (the research, design, selection and sequencing of tasks associated with the provision of a service offering).

Therefore, these three actions can be linked with service quality dimensions, which lead to generate a management agenda concerning tasks to be implemented in the service offering.

7.4 Research Contribution to Knowledge and Distinctiveness

The present study makes unique contributions to the service marketing literature. For instance, this study is the first empirical research exclusively to examine the differences

between the private and public banking sectors in terms of perceived service quality levels in an Arabic and developing country such as Libya. The previous study that examined the differences between the two banking sectors in terms of service levels was carried out in Greece by Kangis and Voukelatos (1997), therefore it was worthwhile testing if such case does exist in developing economy such as Libya, where different environmental and cultural factors exist. The distinctiveness of this contribution is that this research is the first of its kind in Libya. No previous research has been conducted to investigate the differences between the Libyan banking private and public banking sectors in terms of customer perceptions of service quality. Therefore, this study will provide valuable advices for both academics and practitioners in the Libyan banking industry, and also will provide boundless opportunities for future academic related research in an environment with limited research resources on studies of banking service quality in Libya.

The second important contribution is the examination of the differences between the two groups of banking customers in Libya, in terms of the degree of importance attached to various dimensions of service quality. The importance and distinctiveness of this contribution comes from the fact that this was the first attempt in the service marketing literature to examine these differences. Therefore, this will help management to understand and appreciate the most important dimensions of service quality for the banks' customers.

This research has also made another distinctive and significant contribution to the marketing service literature, as this study is the first research that examined and analysed the relationship between the customers' demographic characteristics (age, gender, occupation, number of branch visists, and period of relationship with bank) and bank status of ownership, and this will help Libyan banks with the planning and designing of their marketing segmentations.

Furthermore, the modified BSQ scale for the measurement of service quality levels is a significant contribution to knowledge as future researchers will have access to an already examined and tested tool for their studies. In addition, from a practical point of view, the scale can be used by Libyan banks for identifying the areas of weakness in terms of service quality and thus suggesting better solutions. It can also be argued that this study is distinctive in that it complements the growing call for empirical study on the measurement of service quality in different environments (Jabnoun and Khalifa, 2005).

Finally, the investigation of the relationship between the bank status of ownership and the demographic aspects of the banks' customers, (gender, age, occupation, number of branch visits and period of relationship with bank), will open the door for further research into the reasons and factors driving customers in their choice of bank, not only within developing countries, but also within developed countries.

The above, therefore, support the fact that the present research study made important and distinctive contributions to the body of knowledge as it responded to the identified research gaps. The added value of this study emanates from the fact the research was conducted in Libya (a developing country with an extremely limited amount of service quality research conducted therein), and the fact it measured and assessed the service quality levels in both the private and public banking sectors which form, along with the Central Bank, the entire Libyan banking system.

7.5 Research Limitations and Issues of Generalisation

The sample of customers sought from the banks reflects upon the non probability sampling, and as discussed in Methodology Chapter involves the application of techniques like convenience sampling.

In this regard, Bryman (1989) has justified the use of non-random sampling, and stated two major reasons for the popular use of non-probability sampling. The first reason is the increasing difficulty of obtaining access to the organisations for survey research, and the second reason is that researchers may have certain constraints placed upon them that discourage them from choosing random sampling. Although these two reasons apply equally to this research, there are certain limitations associated with non-random sampling techniques that cannot be ignored.

The researcher cannot estimate the representativeness of non-probability samples, and therefore cannot estimate the population's parameters. Bryman (1989) pointed out that though a random sample may not be feasible in certain situations, it "need not mean that samples with a high level of apparent representativeness cannot be contrived" (p. 117). No matter how representative a non-random sample is, it is argued that it cannot allow for an objective evaluation of the adequacy of the sample (Churchill, 1995).

Also, the issue of generalisability and selection error in non-random sampling seems questionable. In this context, Deming (1990) argues that a non-random sample introduces a potential for bias that cannot be overcome by increasing the size of the sample. Although, the large sample size used in this research, the representativeness of the sample in the study may require further examination.

Schwab (1985) has noted that most of the empirical studies published in journals conduct non-random sampling, and he argued that "if one took generalisation to a population using statistical inference seriously, one would recommend rejecting nearly all manuscripts submitted" (p. 173).

Another area of possible consideration as a likely limitation concerns the use of a standard questionnaire. As discussed in the Methodology Chapter of this research this study used a standard questionnaire based on the structure of the BSQ scale. The previous literature clearly favoured this kind of methodology when the research is by nature a comparative study (Glaveli *et al.*, 2006; Petridou *et al.*, 2007; Spathis, Petridou and Glaveli, 2004), which is the case of the present research study, as this research aimed to compare private banks with public banks in terms of perceived service quality levels. Although the questionnaire was tested in the pilot study by colleagues and banks' customers (hence ensuring the face validity of the instrument) and also the scale dimensions were completely identified by the customers of the two groups of banks (as identified from the factor analysis results), an extensive primary qualitative research with bank managers, employees and customers through focus group interviews should be a priority for the construction of the questionnaire (Parasuraman, Zeithaml and Berry, 1988).

7.6 Recommendations for Future Studies

This study provides guidelines for further research. Firstly, the research findings revealed that customers of public banks expressed low perceptions of service quality. An additional study is needed to help explore and provide insights into the low perceptions of public banks' service. This study should be qualitative in its nature to enable deeper understanding of consumer behaviour.

The results also suggested that there seems to be a great amount of variation with respect to the levels of service quality offered by the two groups of banks. These results may be less valid in a different service industry. Therefore, this study could be replicated within other services (e.g., healthcare, hotels, education, and transportation) to further examine these research hypotheses.

The research results also showed that there are relationship between the customers' demographic characteristics of age, occupation, number of branch visits, and period of relationship with bank and bank status. Since this research is the first study to identify this relationship, future research would seek to further explore factors driving such a relationship. In other words, such investigation would provide avenues to question and understand circumstances leading to the development of such a relationship and further extend the available knowledge on the service quality topic. It is also necessary in order for organisations and their management to make workable and reliable decisions.

Another suggestion for future research is to investigate if these demographic variables affect perceptions of service quality dimensions such as effectiveness and assurance, access, price, tangibles, services portfolio, and reliability, which might enable Libyan banks to plan their marketing and organisational strategies more effectively.

As noted above, this research aimed at measuring service quality in the Libyan private and public banking sectors to identify if there are significant differences between the two groups of banks with respect to perceived service quality levels. While this approach was useful in contributing to knowledge by establishing a good level of understanding of the meaning, measurement and management of service quality within Libyan banking context, the study did not address the impact of national culture on customer perceptions of service quality; it will therefore be worthiley for an additional study to focus on investigating the impact of national culture on customers' perceptions of service quality within the Libyan banking context.

Overall, the above future research suggestions could help improve the quality of available literatures on the service quality topic especially in such contexts as are characterized by limited research. It could also help organisations including top management in such a country to reach a good level of understanding of service quality meaning, measurement, and management. In addition, conducting further studies based on the above recommendations could open up doors to knowledge of unseen areas of service quality.

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Appendixes

Appendix 1: Service Quality Survey Developed by NatWest Bank

BANKING SERVICE QUALITY QUESTIONNAIRE (BSQ)

Section One: Banking Service Quality Statements

Instruction:

Please circle the following statements related to your feelings or perceptions about the bank you deal with. For each statement, please show the extent to which you believe the bank you deal with has that feature:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

Dimension	No.	Statements	Your perceptions						
Effectiveness and assurance	1	The behaviour of the employees in the bank instils confidence.	1	2	3	4	5	6	7
	2	Bank employees go out of their way to make regular customers feel like very important customers.	1	2	3	4	5	6	7
	3	The bank places great importance on customers' confidentiality.	1	2	3	4	5	6	7
	4	Bank personnel have reasonable valorisation.	1	2	3	4	5	6	7
	5	The bank monitors the service performance to avoid interruption of the service.	1	2	3	4	5	6	7
	6	The bank has well-trained personnel	1	2	3	4	5	6	7
	7	Bank personnel have the knowledge to answer your questions.	1	2	3	4	5	6	7
	8	No contradictions in decision between personnel and management in this bank.	1	2	3	4	5	6	7

	9	The bank provides its services at the time it promises to do so.	1	2	3	4	5	6	7
	10	The bank has good reputation.	1	2	3	4	5	6	7
	11	You feel secured and safe in your transactions with bank's employees	1	2	3	4	5	6	7
	12	No delays due to bureaucratic factors and procedures in this bank.	1	2	3	4	5	6	7
	13	The bank shows high quality indications.	1	2	3	4	5	6	7
Access	14	The bank has sufficient number of ATMs per branch.	1	2	3	4	5	6	7
	15	The bank has the latest technology and the modern-looking equipment.	1	2	3	4	5	6	7
	16	The bank has sufficient number of open tellers.	1	2	3	4	5	6	7
	17	Waiting time at the counter is short in this bank.	1	2	3	4	5	6	7
	18	The queues in this bank move rapidly.	1	2	3	4	5	6	7
Price	19	The bank contacts me every time it is useful.	1	2	3	4	5	6	7
	20	The bank provides good explanations of service fees.	1	2	3	4	5	6	7
	21	The bank makes balance amount from which service charges begin.	1	2	3	4	5	6	7
	22	The bank takes reasonable fees for the administration of the accounts.	1	2	3	4	5	6	7
	23	The bank keeps customers informed every time that a better solution appears for the problem.	1	2	3	4	5	6	7

Tangibles	24	The bank provides precision account statements for customers.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	25	The bank provides good level of the cleanliness of facilities.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	26	The bank facilities are well-decorated.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	27	The bank has efficacious work environment.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Services portfolio	28	The bank offers complete gamut of services.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	29	The bank offers a range of services that is consistent with the latest innovation in banking services.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Reliability	30	The bank identifies and rectifies any errors in the service delivery.	**1**	**2**	**3**	**4**	**5**	**5**	**6**
	31	The bank has precision of filing systems.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

Section Two: Customer's Demographic and Background Characteristics

Instruction:

Please consider the following questions, which concern your personal details. These details are needed for purely statistical reasons. Please answer the question by circling the number that matches your personal situation/views.

Question One: What is your age?

Under 18	**1**
18-24	**2**
25-34	**3**

35-44	**4**
45-54	**5**
55-65	**6**
Over 65	**7**

Question Tow: What is your gender?

Male	**1**
Female	**2**

Question Three: How often do you visit your branch? (That is the branch where you have main account.)

Once a week or more often	**1**
Less often than once a week but once a month or more	**2**
Less often than once a month	**3**

Question Four: What is your occupation?

Employee	**1**
Self-employed	**2**
Retired	**3**
Student	**4**
Housewife	**5**
Sole trader	**6**
Civil servant	**7**
Other	**8**

Question Five: How long have you been dealing with this bank?

More than 5 years	**1**
3-5 years	**2**
2 years	**3**
1 year	**4**
6 months	**5**
3 months	**6**

Thank you for the time and knowledge invested towards the successful completion of this questionnaire. Please feel free to use the space below in providing any additional information or comment you think will assist this questionnaire.

جامعة نورثأمبريا

إستبيان جودة الخدمة المصرفية

عزيزي المشارك

أنا طالب دراسات عليا دكتوراه لدى كلية الاقتصاد جامعة نورثأمبريا بمدينة نيوكاسيل بالمملكة المتحدة. حالياً أنا أجري بحث على موضوع:

تقييم مستويات جودة الخدمة المصرفية المحسوسة في القطاع المصرفي الخاص والعام في ليبيا.

يهدف هذا البحث لقياس جودة الخدمة في القطاع المصرفي الخاص والعام لإيجاد الأفضلية ما بين القطاعين من ناحية مستويات جودة الخدمة

وأيضاً لإيجاد الاختلافات الواضحة والبينة من ناحية إحساسات الجودة ما بين زبائن القطاع المصرفي الخاص والعام. لذا يعتبر هذا البحث مهم

بشكل رئيسي لأنه سوف يعمل على إيجاد المستويات الفعلية المطبقة لجودة الخدمة في المصارف.هذا البحث أيضاً سوف يساعد القطاع

المصرفي الخاص والعام في ليبيا علي فهم المعاملة مع قضايا جودة الخدمة.

لذا سوف أكون شاكرا علي مشاركتك في هذا الاستبيان.

أرغب أيضاً في التأكيد أن هذا البحث سوف يكون فقط للغرض الأكاديمي البحث وأيضاً سوف يكون متمشي مع المبادئ الأخلاقية لجامعة

نورثأمبريا وسوف تكون هوية المشاركين قيد السرية. في ضوء هذا سوف تكون مشاركتك في هذا البحث بالكامل تطوعية.

شكراً للمشاركة والإسهام الفعال نحو الإكمال الناجح لهذا الاستبيان .

المخلص لكم

أشرف الميار

جامعة نورثامبريا

نيوكاسيل-المملكة المتحدة

الجزء الأول : خاص بالأسئلة حول جودة الخدمة المصرفية.

تعليمات: من فضلك ضع أمام كل جملة من الجمل التالية دائرة علي الرقم المناسب مابين 1 و 7 والذي يعبر حسب تصورك واعتقادك عن مدي امتلاك المصرف الذي تتعامل معه لهذه الخاصية.

7	6	5	4	3	2	1
موافق بشدة جدا	موافق بشدة	موافق	موافق أو غير موافق	غير موافق	غير موافق بشدة	غير موافق بشدة جدا

			تصوراتك				البيــــــانات	الرقم	الأبعـــــاد
7	6	5	4	3	2	1	سلوك الموظفين بالمصرف يوحي بالثقة.	1	التأثير والتأمين
7	6	5	4	3	2	1	موظفوا المصرف يعيرون الزبائن المنتظمين مزيدا من الاهتمام لغرض اشعارهم بأنهم زبائن مهمون جدا للمصرف.	2	
7	6	5	4	3	2	1	يولي المصرف أهمية كبيرة لخصوصية وسرية الزبائن.	3	
7	6	5	4	3	2	1	يتميز موظفي المصرف بالجراءة والشجاعة المعقولة في سبيل خدمة الزبائن.	4	
7	6	5	4	3	2	1	يقوم المصرف بمراقبة و متابعة أداء الخدمة لتجنب انقطاعها وتوقفها.	5	
7	6	5	4	3	2	1	موظفي المصرف مدربين بشكل جيد.	6	
7	6	5	4	3	2	1	موظفي المصرف عندهم المعرفة والمعلومات الكافية للإجابة علي أسئلتك.	7	
7	6	5	4	3	2	1	لا يوجد تناقضات في القرارات ما بين الموظفين و إدارة المصرف.	8	
7	6	5	4	3	2	1	يفي المصرف بإنجاز الخدمة في الزمن الذي يعد به.	9	
7	6	5	4	3	2	1	المصرف لديه سمعة جيدة.	10	
7	6	5	4	3	2	1	تشعر بالأمان و الاطمئنان في معاملاتك مع موظفي المصرف.	11	
7	6	5	4	3	2	1	لا يوجد هناك تأخير نتيجة لعوامل و إجراءات الروتين في هذا المصرف.	12	

		7	6	5	4	3	2	1	يظهر المصرف مؤشرات جودة عالية من خلال الخدمات المقدمة للزبائن.	13
حقوق الوصول للخدمة		7	6	5	4	3	2	1	للمصرف عدد كافي من ألآت السحب الالكترونية لكل فرع	14
		7	6	5	4	3	2	1	للمصرف تقنيات متقدمة ومعدات حديثة.	15
		7	6	5	4	3	2	1	يوجد بالمصرف عدد كافي من آلات الرد الالكترونية على هواتف الزبائن.	16
		7	6	5	4	3	2	1	وقت الانتظار عند قسمي الصرافين وخدمات الزبائن قصير في هذا المصرف.	17
		7	6	5	4	3	2	1	تتحرك الطوابير في هذا المصرف سريعاً.	18
سعر الخدمة		7	6	5	4	3	2	1	يتصل المصرف بك في الوقت المناسب والملائم.	19
		7	6	5	4	3	2	1	يقدم المصرف توضيحات وشروح جيدة حول أسعار الخدمة.	20
		7	6	5	4	3	2	1	يوازن المصرف ما بين مصالح الزبون و أسعار الخدمة.	21
		7	6	5	4	3	2	1	يأخذ المصرف أجره معقولة نظير أدارة حسابات الزبائن.	22
		7	6	5	4	3	2	1	يقوم المصرف بالمحافظة علي إعلام الزبائن كل مرة يظهر فيها حل لمشكلة ما.	23
الأشياء الملموسة		7	6	5	4	3	2	1	يوفر المصرف كشف حسابات دقيقة للزبائن.	24
		7	6	5	4	3	2	1	يوفر المصرف مستوى جيد من حيث نظافة المنشات ومحتويات المبني.	25
		7	6	5	4	3	2	1	للمصرف مظهر عصري من الداخل والخارج.	26
		7	6	5	4	3	2	1	بيئة العمل داخل المصرف مؤثرة و فعالة.	27

		7	6	5	4	3	2	1			
حقيبة الخدمات	28	يقدم المصرف سلسلة متكاملة من الخدمات.	7	6	5	4	3	2	1		
	29	يقدم المصرف خدمات تضاهي آخر الابتكارات في مجال الخدمات المصرفية.	7	6	5	4	3	2	1		
الجدارة بالثقة والاعتماد	30	يلتزم المصرف بتصويب و تصحيح وتعديل أي أخطاء خلال تسليم الخدمة.	7	6	5	4	3	2	1		
	31	يملك المصرف أنظمة الإيداعات الدقيقة.	7	6	5	4	3	2	1		

الجزء الثاني : البيانات الشخصية للزبون ما هو عمـــــــــرك؟.

تعليمات: الرجاء اعتبار الأسئلة التالية المتعلقة بالبيانات الشخصية. هذه البيانات مطلوبة فقط للأغراض الإحصائية. الرجاء وضع دائرة علي الرقم الذي يلاءم بياناتك الشخصية.

السؤال الأول: ما هو عمـــــــــرك؟

أقل من 18 عام	1
من 18 إلي 24 عام	2
من 25 إلي 34 عام	3
من 35 إلي 44 عام	4
من 45 إلي 54 عام	5
من 55 إلي 65 عام	6
65 عام فما فوق	7

السؤال الثاني : ما هو جنســـك؟

ذكـــــــر	1
أنثـــــى	2

السؤال الثالث: كم عدد المرات التي تزور فيها المصرف؟ (الذي به حسابك الرئيسي)

مرة في الأسبوع أو أكثر	1

2	مرة في الشهر أو أكثر
3	أقل من مرة في الشهر

السؤال الرابع: ما هو عملك ؟

1	موظف
2	عامل لحساب نفسك (أعمال حرة)
3	متقاعد
4	طالب
5	ربة بيت
6	تاجر تجزئه (قطاعي)
7	خادم منزلي
8	عمل أخر

السؤال الخامس: ما هي فترة تعاملك مع المصرف؟

1	أكثر من 5 سنوات
2	من 3 إلي 5 سنوات
3	سنتان
4	سنة واحدة
5	6 أشهر
6	3 أشهر

شكراً لك من أجل الوقت والمعرفة التي أستثمرت و ذلك لإنجاز واستكمال هذا الاستبيان بشكل ناجح . رجاءاً أن تقوم بكتابة أي مـــــعلومات إضافية أو تـــــعليقات ، والتي تظن بأنها سوف تـــــــــــساعد في إنجاح هذا الاستبيان و لك في ذلك مطلق الحرية أن تكتب خلال الفراغ الموجود بالأسفل للكتابة .

Appendix 4: The Translated Version of the Questionnaire

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استبيان حول جودة الخدمة المصرفية (BSQ)

الجزء الأول : خاص بالأسئلة حول جودة الخدمة المصرفية.

تعليمات: من فضلك ضع أمام كل جملة من الجمل التالية دائرة علي الرقم المناسب مابين 1 و 7 والذي يعبر حسب تصورك واعتقادك عن مدي امتلاك المصرف الذي تتعامل معه لهذه الخاصية.

7	6	5	4	3	2	1
موافق بشدة جدا	موافق بشدة	موافق	موافق أو غير موافق	غير موافق بشدة	غير موافق بشدة	غير موافق بشدة جدا

الأبعـــاد	الرقم	البيـــــانات	تصوراتك						
التأثير والتأمين	1	سلوك الموظفين بالمصرف يوحي بالثقة.	7	6	5	4	3	2	1
	2	يعملون موظفي المصرف علي جعل الزبائن المنتظمين زبائن ذو أهمية.	7	6	5	4	3	2	1
	3	يولي المصرف أهمية كبيرة لخصوصية وسرية الزبائن.	7	6	5	4	3	2	1
	4	يتميز موظفي المصرف بالجراءة والشجاعة المعقولة.	7	6	5	4	3	2	1
	5	يقوم المصرف بمراقبة و متابعة أداء الخدمة لتجنب انقطاعها وتوقفها.	7	6	5	4	3	2	1
	6	موظفي المصرف مدربين بشكل جيد.	7	6	5	4	3	2	1
	7	موظفي المصرف عندهم المعرفة والمعلومات الكافية للإجابة علي أسئلتك.	7	6	5	4	3	2	1
	8	لا يوجد تناقضات في القرارات ما بين الموظفين و إدارة المصرف.	7	6	5	4	3	2	1
	9	يفي المصرف بإنجاز الخدمة في الزمن الذي يعد به.	7	6	5	4	3	2	1
	10	المصرف لديه سمعة جيدة.	7	6	5	4	3	2	1
	11	تشعر بالأمان و الاطمئنان في معاملاتك مع موظفي المصرف.	7	6	5	4	3	2	1
	12	لا يوجد هناك تأخير نتيجة لعوامل و إجراءات الروتين في هذا المصرف.	7	6	5	4	3	2	1
	13	يظهر المصرف مؤشرات جودة عالية.	7	6	5	4	3	2	1

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7	6	5	4	3	2	1	للمصرف عدد كافي من آلآت السحب الالكترونية لكل فرع	14	حقوق الوصول للخدمة
7	6	5	4	3	2	1	للمصرف تقنيات متقدمة ومعدات حديثة.	15	
7	6	5	4	3	2	1	يوجد بالمصرف عدد كافي من آلات الرد الالكترونية على هواتف الزبائن.	16	
7	6	5	4	3	2	1	زمن الانتظار عند قسمي الصرافين وخدمات الزبائن قصير في هذا المصرف.	17	
7	6	5	4	3	2	1	تتحرك الطوابير في هذا المصرف سريعاً.	18	
7	6	5	4	3	2	1	يتصل المصرف بك في الوقت المناسب والملائم.	19	سعر الخدمة
7	6	5	4	3	2	1	يقدم المصرف توضيحات وشروح جيدة حول أسعار الخدمة.	20	
7	6	5	4	3	2	1	يوازن المصرف ما بين مصالح الزبون و أسعار الخدمة.	21	
7	6	5	4	3	2	1	يأخذ المصرف أجره معقولة نظير أدارة الحسابات.	22	
7	6	5	4	3	2	1	يقوم المصرف بالمحافظة علي إعلام الزبائن كل مرة يظهر فيها حل لمشكلة ما.	23	
7	6	5	4	3	2	1	يوفر المصرف كشف حسابات دقيقة للزبائن.	24	الأشياء الملموسة
7	6	5	4	3	2	1	يوفر المصرف مستوى جيد من حيث نظافة المنشات ومحتويات المبني.	25	
7	6	5	4	3	2	1	للمصرف مظهر عصري من الداخل والخارج.	26	
7	6	5	4	3	2	1	بيئة العمل داخل المصرف مؤثرة و فعالة.	27	

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		7	6	5	4	3	2	1			
حقيبة الخدمات	28	يقدم المصرف سلسلة متكاملة من الخدمات.	7	6	5	4	3	2	1
	29	يقدم المصرف خدمات تضاهي آخر الابتكارات في مجال الخدمات المصرفية.	7	6	5	4	3	2	1
الجدارة بالثقة والاعتماد	30	يلتزم المصرف بتصويب و تصحيح وتعديل أي أخطاء خلال تسليم الخدمة.	7	6	5	4	3	2	1
	31	يملك المصرف أنظمة الإيداعات الدقيقة.	7	6	5	4	3	2	1

الجزء الثاني : البيانات الشخصية للزبون.

تعليمات: الرجاء اعتبار الأسئلة التالية المتعلقة بالبيانات الشخصية. هذه البيانات مطلوبة فقط للأغراض الإحصائية. الرجاء وضع دائرة على الرقم الذي يلائم بياناتك الشخصية.

السؤال الأول: كم عدد المرات التي تزور فيها المصرف؟ (الذي به حسابك الرئيسي)

1	مرة في الأسبوع أو أكثر
2	مرة في الشهر أو أكثر
3	أقل من مرة في الشهر

السؤال الثاني : ما هو جنسـك؟

1	ذكـــــر
2	أنثــــى

السؤال الثالث: ما هو عمـــــرك؟

1	أقل من 18 عام
2	من 18 إلى 24 عام
3	من 25 إلى 34 عام

3

4		من 35 إلى 44 عام
5		من 45 إلى 54 عام
6		من 55 إلى 65 عام
7		65 عام فما فوق

السؤال الرابع: ما هو عملك ؟

1		موظف
2		عامل لحساب نفسك (أعمال حرة)
3		متقاعد
4		طالب
5		ربة بيت
6		تاجر تجزئه (قطاعي)
7		خادم منزلي
8		عمل أخر

السؤال الخامس: ما هي فترة تعاملك مع المصرف؟

1		أكثر من 5 سنوات
2		من 3 إلي 5 سنوات
3		سنتان
4		سنة واحدة
5		6 أشهر
6		3 أشهر

شكراً لك من أجل الوقت والمعرفة التي أستثمرت و ذلك لإنجاز واستكمال هذا الاستبيان بشكل ناجح . رجاءاً أن تقوم بكتابة أي مـــعلومات إضافية أو تـــــعليقات ، والتي تظن بأنها سوف تـــــساعد في إنجاح هذا الاستبيان و لك في ذلك مطلق الحرية أن تكتب خلال الفراغ الموجود بالأسفل للكتابة.

تـــــمت الترجمة بواسطة مترجم قانوني : **أ.عادل إبراهيم بوسميحة**

Translated by Legal Translator: *Adel Ibrahim Bosmiha*

Appendix 5: Back Translated Version of the Questionnaire

BANKING SERVICE QUALITY QUESTIONNAIRE (BSQ)

First part: Banking service quality statements

Instruction:

Circle the following statements that related to your feeling and perceptions towards the bank you deal with in which that bank has the next features shown below:

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Very strongly agree

Dimension	No.	Statements	Your perceptions						
Effectiveness and assurance	1	Behaviour of bank employees is confident.	1	2	3	4	5	6	7
	2	Bank employees work for regular customers to be of significant importance.	1	2	3	4	5	6	7
	3	The bank puts great importance on customers' confidentiality.	1	2	3	4	5	6	7
	4	Bank personnel have reasonable valorisation.	1	2	3	4	5	6	7
	5	The bank controls its services in order to avoid any interruption or halt to these services	1	2	3	4	5	6	7
	6	The bank employees are well trained.	1	2	3	4	5	6	7
	7	The bank employees are able to answer your questions.	1	2	3	4	5	6	7
	8	There is no contradiction in decisions between employees and bank administration	1	2	3	4	5	6	7
	9	The bank provides its services at the time promises to do.	1	2	3	4	5	6	7
	10	The bank has good reputation	1	2	3	4	5	6	7
	11	You feel safe and secure in dealing with bank employees.	1	2	3	4	5	6	7
	12	There is no delay due to routine procedures in this bank.	1	2	3	4	5	6	7
	13	The bank shows high quality indications.	1	2	3	4	5	6	7

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Access	14	The bank has enough number of ATMs at each branch.	1	2	3	4	5	6	7
	15	The bank has advanced technology and updated control devices.	1	2	3	4	5	6	7
	16	The bank has sufficient number of open tellers for receiving customers' calls.	1	2	3	4	5	6	7
	17	Waiting time at the counter is short at this bank.	1	2	3	4	5	6	7
	18	The queues move quickly at this bank.	1	2	3	4	5	6	7
Price	19	The bank contacts me at suitable time.	1	2	3	4	5	6	7
	20	The bank provides good explanations for service fees.	1	2	3	4	5	6	7
	21	The bank shows you the balance from data of services start.	1	2	3	4	5	6	7
	22	The bank receives reasonable fees against accounts management.	1	2	3	4	5	6	7
	23	The bank informs customers every time the solution of problems comes out.	1	2	3	4	5	6	7
Tangibles	24	The bank provides accurate bank statements for customers.	1	2	3	4	5	6	7
	25	The bank provides good level cleanliness of facilities.	1	2	3	4	5	6	7
	26	Facilities at bank are good decorated.	1	2	3	4	5	6	7
	27	The bank has an efficacious workable environment.	1	2	3	4	5	6	7
Services portfolio	28	The bank offers complete gamut of services.	1	2	3	4	5	6	7
	29	The bank offers complete series of services innovations.	1	2	3	4	5	6	7
Reliability	30	The bank identifies and corrects any errors in service delivery.	1	2	3	4	5	5	6
	31	The bank gains accuracy in deposit systems.	1	2	3	4	5	6	7

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Second part: Customer's personal Characteristics

Instruction:

Please consider that the following questions are concerned with personal details, which are needed for statistical reasons. Please circle the number that matches your personal situation.

Question One: How often do you visit the bank of your main account?

Once a week or more	1
Less than one time a week but one a month or more	2
Less than one time per month	3

Question Tow: What is your gender?

Male	1
Female	2

Question Three: What is your age?

Less than 18 years	1
From 18 to 24 years	2
From 25 to 34 years	3
From 35 to 44 years	4
From 45 to 54 years	5
From 55 to 65 years	6
More than 65 years	7

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Question Four: What is your job?

Employee	1
Private worker	2
Retired	3
Student	4
Housewife	5
Retailer	6
Official	7
Other jobs	8

Question Five: How long have you been dealing with this bank?

More than five years	1
From 3 to 5 years	2
Two years	3
one year	4
six months	5
Three months	6

Thanks for time and knowledge you provide for the successful fulfilment of this questionnaire, please write any additional information or comments that you think are helpful in this questionnaire. Next space is for your choice to write whatever you want to add.

Translated by M.A.Raheel English certified translator at Tobruk city.

SIGN

SEAL

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