



THE UNIVERSITY OF ZAMBIA  
GRADUATE SCHOOL OF BUSINESS

**EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION. A CASE OF  
ZANACO BANK**

A RESEARCH PROPOSAL SUBMITTED TO THE UNIVERSITY OF ZAMBIA  
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REQUIREMENT OF THE AWARD OF THE MASTERS IN BUSINESS ADMINISTRATION  
( MBA GENERAL)

BY

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## DECLARATION

I, CHRISLAY MICHELO MUCHIMBA, do hereby declare that this dissertation is my own work and all the materials used for this dissertation have been acknowledged. This dissertation has been submitted in partial fulfilment of the requirements for obtaining a Master's Degree in Business Administration. I therefore declare that this dissertation has never been submitted for the award of academic qualification to any university.

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## ABSTRACT

The key to surviving in a global market is to focus on service quality for customers. Every organization should focus on providing quality service to customers. ZANACO bank has been implementing several service quality features and systems, such as changing the interior design of bank buildings, investing in technologies and taking services closer to the customers through ZANACO express agents, mobile banking and opening new branches among others. Hence, the study investigated the effect of service quality on ZANACO bank customers' satisfaction. A survey was conducted with 397 ZANACO bank customers at Main Branch in Lusaka. The study used descriptive and causal designs. The study analyzed the data by obtaining frequencies, percent and means, and the study employed spearman correlation analysis to determine the effect. The study found that the service quality features important to bank customers were; quick in attending to customers, courtesy of the bank employees, accuracy of the banking transactions, safety of the banking services, customer care, convenient operating hours reliability of banking services and affordability (cost)of services. The study found that banks' responsiveness, accuracy, reliability and empathy significantly affect customer satisfaction, while tangible features have weak to no effect on customer satisfaction. Customer satisfaction had a strong positive effect on customer loyalty, with a correlation coefficient of 0.9264, statistically significant at 0.0001 p-value. The study therefore recommended that: Banks should focus more on reliability, assurance, empathy and responsiveness to increase customer satisfaction; offering of incentives like reduction of banking charges; and employing customer loyalty programs to remain competitive.

**Key Words:** *Responsiveness, Accuracy, Reliability, Empathy, Tangibility, Customer, Satisfaction, Loyalty.*

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## **ABBREVIATIONS**

ATM:	Automated Teller Machine
GDP:	Gross Domestic Product
SERVQUAL:	Service Quality
SPSS:	Statistical Package Social Sciences
ZANACO:	Zambia National Commercial Bank

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

Quality banking management is necessary in order to achieve goals effectively and efficiently. In the era of global competition recently, organizations are required to be able to improve their performance through quality improvement. This can be done through fulfilling customer needs (Imran et al., 2018; Jong et al., 2019; Sinha et al., 2016). The key to surviving in a global market is to focus on service quality for customers (Cristea & Mocuta, 2018). Organizations need a capacity to get many customers in order to survive or exist. Excellent services, responding to customers' demands can directly increase satisfaction. This is an indicator of satisfaction level to the services' quality. This can be measured by assessing their purchase and consumption experience on particular products, services, brands, and company name (Johnson, 2015).

Customer satisfaction is one of the factors that influences customer loyalty to organizations (Harazneh et al., 2020). Customer loyalty indirectly contributes to enhancing organizational performance (Ahmed Al-Maamari & Abdulrab, 2017). The issue of customer satisfaction is prominent to many organizations, and organizations can only claim success when customer satisfaction is attained. Satisfied customers tell us about the quality of the organizations. On the other hand, unsatisfied customers remind the organizations to have low performance (Kotler, 2006). There are several factors which potentially affect customer satisfaction in the banking sector including good relations between banks and customers and trust. Loyal customers are those who use organizations' services continuously. They show loyalty, commitment, and being proud of using the services. Customer loyalty can be measured based on these as indicators (Binsar Kristian & Panjaitan, 2014; Jiang & Zhang, 2016). Banking organizations must obtain customer loyalty to ensure their existence within a global market (Ayodele, 2016).

Customer loyalty fostered by organizations results in increased customer satisfaction. According to Ariff et al. (2013) ensuring that customers remain loyal, it must be ensured that they are satisfied with the provided services. This is supported by previous studies that customer



## **1.2 Problem Statement**

Customer satisfaction and provision of quality services to customers has become the corner stone of survival for organizations dealing with service. The quality of service through products on offer by a given bank determines how far it can go to satisfying its customer and returning customer trust (Sinchinsabwe and Sikombe, 2017). ZANACO bank has been facing so much competition, as the banking sector keeps on evolving with new systems and technologies popping up every day. It's therefore important to ensure that customers are satisfied all the time, through offering quality and durable products on the market, as well as good quality of service. Lack of quality products and services tend to reduce customer base and retention resulting in negative profits for the organization. In order to fight competition and impress customers, ZANACO bank has been implementing several service quality features and systems, such as changing the interior design of bank buildings, taking services closer to the people and many more. The bank has been investing in technologies and taking services closer to the customers through ZANACO express agents, and opening new branches. Other measures for the bank includes; opening up trading booths in compounds and mobile banking, to help easy transactions in the communities (Sinchinsabwe and Sikombe, 2017). It is against this background that the study sought to investigate the effect of service quality on customer satisfaction, for a case of ZANACO bank.

## **1.3 Research Objectives**

### **1.3 1 General Objectives**

The objective of the study was to investigate the effect of Service quality on customers Satisfaction at ZANACO Bank.

### **3 1.3.2 Specific Objectives**

1. To establish service quality features important for ZANACO bank customers
2. To establish customer satisfaction levels with the current service quality features of ZANACO bank

3. To determine the effect of service quality on customer satisfaction at ZANACO bank
4. To determine the effect of customer satisfaction on customer loyalty at ZANACO bank

#### **1.4 Research Questions**

1. Which service quality features are important for ZANACO bank customers?
2. What is the level of customer satisfaction with the current service quality features of ZANACO bank?
3. What is the effect of service quality on customer satisfaction at ZANACO bank?
4. What is the effect of customer satisfaction on customer loyalty at ZANACO bank?

#### **1.5 Significance of the Study**

This study may help banks to understand service features that are critical to customers. This may help banks to design quality service features that are valued by bank customers, which may help banks to minimize wasting of resources from service features that are less valued. This may help banks to improve performance and service delivery, which may significantly contribute to improved economic activities and contribute positively to Gross Domestic Product (GDP) of the country. The study may also make significant contribution to the body of knowledge. This study stands as a component for the other studies in different locality into the field of service quality, customer satisfaction and loyalty. It is further hoped this will be a learning point for other organizations that deals with customers so as to expand the service that is provided to their customers in order to culminate the massive customer's satisfaction and customers retaining strictly with them. This study is therefore beneficial to banks, bank customers, and other organizations and to the nation.

## **1.6 Scope of the Study**

This study focused on the effect of service quality on customer satisfaction in the banking sector. The study specifically focused on ZANACO bank, as the bank has been implementing many service quality features aimed at satisfying customers. The study also assessed the effect of customer satisfaction on customer loyalty, that is, the intentions of customers to continue banking with ZANACO. The study assessed five service quality features, and also included other service features important for bank customers such as the cost of banking. The study had a sample size of 397 ZANACO bank customers from the main branch in Lusaka which is located along Cairo road at Chainda place.

## **1.7 Organization of the Report**

This research report is organized in five chapters. The first is chapter one, that has just been presented. The next chapter is literature review, reviewing both theoretical and empirical literature done by other researchers, and also tries to establish conclusions that were drawn from previous studies. Chapter three describes the methodology used to undertake the research and includes a discussion of the research design, the population and sampling design, the data collection methods, research procedures and data analysis methods. Chapter four presents the results, and discusses the findings in line with the existing literature. Chapter five draws conclusions and makes recommendations for improving service quality in banks and other organizations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter covers an overview of literature that is related to the research study according to the problem Presented earlier. Customer services is of paramount importance for companies in the service industry like banks. Good service is an assurance of a good relationship with customers while bad service is a means through which the company can lose customers. The chapter shall discuss service quality, customer satisfaction, relation between customer satisfaction and service quality and service quality model in order to give a clear idea about the research area.

To remain competitive, service organizations must deliver quality service to their customers. Moreover, understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in today's globalized world. The banking industry is one of the world's most known service industries which is very important for economic progress. The banking service makes possible the rapid circulation of money throughout the world instantly (Saha and Theingi, 2009). It is imperative that service companies' like banks measure and monitor service quality and satisfaction with a view of influencing the behavioral intentions of their customers (Saha and Theingi, 2009). The speed and intensity of change in service offerings has accelerated in recent years within the bank industry. Banks are becoming more and more customer oriented with innovative ideas and approaches. Challenge in the banking market is becoming globally tough as the customers' needs and wants are growing in variety. Therefore, banks need to be aware of the latest shift and trend to be able to react on time. Thus, precise and timely information on a wide range of customer needs and expectations become critically important. Bank services are made up of a very complex mix of intangibles (Gursoy et al., 2005). Thus, measuring customers' expectations, as well as their service quality is a real challenge because customer satisfaction is determined by many intangible factors such as neatness of the servers and their behaviors, etc.(Fitzsimmons and Fitzsimmons, 1994). The main performance indicator of a bank is its Service Quality, and is the major area of competition. The end product of a bank is the banking services that it offers to its customers such as providing





service quality is vital to business profitability and survival, if service quality is going down in the organization, it will have negative effects on the organization's profitability.

### **2.2.2 Expectation Theory**

The expectation theory was proposed by Oliver in 1977 and 1980, and is the most widely accepted theory concerning customer satisfaction processes. The theory holds that satisfaction/dissatisfaction results from a customer's comparison of performance of a product or service with predetermined standards of performance. According to Oliver, the predetermined standards are the customer's predictive expectations. Three possible outcomes of the comparison are possible. Positive disconfirmation occurs when performance is perceived to be better than the predetermined expectations. In this scenario, a customer is delighted. Zero disconfirmation occurs when performance is perceived to be exactly equal to expectations, and customers are likely to be satisfied. Finally, negative disconfirmation occurs when performance is lower than expectations. Of course, negative disconfirmation leads to dissatisfied or unhappy customers.

### **2.3 Empirical Review**

Service quality and customer satisfaction are parts of factors that influence customer loyalty to bank services. Both are necessary to be fulfilled in order to gain customer loyalty, which in turn maintain organization survival in the long term (Supriyanto et al., 2021). Supriyanto et al. (2021) study aimed at examining how service quality influenced customer loyalty; how customers' satisfaction influenced their loyalty to the bank; and the effects of service quality and customer satisfaction on customer loyalty. This study used a survey research design, and respondents were selected purposively from a population of Bank organization in Indonesia. Data were analyzed by employing path analysis and One-Way Analysis of Variance. The study found that service quality did not have significant effects on customer loyalty, but it provided significant effects on customer satisfaction. Service quality had indirect effects on customer loyalty through customer satisfaction.



Shanka (2016) study aimed at measuring the quality of service offered by private banks operating in Ethiopia. The study tried to investigate the relationship between service quality, customer satisfaction and loyalty. The five dimensions of SERVPERF model, that is, reliability, assurance, tangibility, empathy and responsiveness were used to measure the quality of service offered by private banks. The study used both; primary and secondary sources of data. Convenient sampling procedure was used to obtain 260 responses from customer of banking services in Hawassa city. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. The results of the regression test showed that offering quality service has positive impact on overall customer satisfaction. The research proved that empathy and responsiveness plays the most important role in customer satisfaction level followed by tangibility, assurance, and finally the bank reliability. The research findings also indicated that offering high quality service increase customer satisfaction, which in turn lead to increased customer loyalty.

Sustainable growth and development is the most important lesson for banks. Banks gain many benefits from increasing customer loyalty (Hoang, 2023), and customer satisfaction helps to build customer loyalty. In order to have loyal customers, service quality must be good. Quality customer service of the bank ensure customer satisfaction and ensure the needs are taken into consideration to improve service quality. High customer service quality generate value that not only meet customer needs but also the expectations of customers and make banks more prominent than their competitors. Hoang (2023) study identified factors that affect customer satisfaction with the service quality at Vietnamese retail banks. The results were obtained by qualitative and quantitative method. The findings showed that customer satisfaction with the service quality at retail banks is influenced by reliability, responsiveness, empathy, security and tangibles.

Service quality is an important tool for success of service industry sector like banks. Quality is such an important issue that it is considered a really significant factor. It is regarded as a strategic organizational weapon (Sthapit, 2023). Service quality has a significant impact on a bank's success and performance. Service quality is particularly essential in the banking services context

because it provides a high level of customer satisfaction, and hence it becomes a key to competitive advantage. Sthapit (2023) study focused on examining customer satisfaction towards service quality of Nepalese commercial banks. The study used descriptive and causal research designs. Primary data from a total of 400 participants were used and tested with correlation and regression analysis. From the correlation and regression analyses it was found that independent variables namely tangibility, reliability, assurance and empathy had positive significant relationship to the customer's satisfaction in banking sector. However, responsiveness was found not to have significant effect on customer satisfaction.

Munusamy et al. (2010) focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. Assurance, responsiveness, empathy and reliability were found not have significant effect on customer satisfaction. Tangibles had positive significant effect on customer satisfaction.

Awan et al. (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. A modified SERVQUAL scale was utilized to ascertain the functional dimensions of service quality specific to the industry and service context under study. The study also examined the differences in service quality satisfaction and its impact on the behavioral intentions of customers. A field survey was carried out with the help of a questionnaire constructed by using a modified SERVQUAL scale. Data were collected from 200 walk-in customers, conveniently drawn. Data were analyzed using the analytical hierarchy process to identify service quality and customer satisfaction-related factors. By using factor analysis, 52 measurement items with a factor loading greater than (0.5) were identified to form five service quality dimensions namely empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services, knowledge for the overall banking industry. The study explained 56 percent of the variance. Results from regression analysis of the relationship between multidimensional service quality dimensions and unidimensional customer satisfaction factors also validated the importance of service quality aspects for behavioral intentions (satisfaction, feelings) for customers.

Minh and Huu (2016) developed and empirically tested the interrelationships between service quality, customer satisfaction, and customer loyalty in a retail banking context. In this study, a research model about the interrelationships between service quality, customer satisfaction, and customer loyalty was developed. A survey was conducted with retail banking customers, with a total of 261 respondents. The analysis revealed that service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. The study suggested that there are non-linear relationships between three constructs and emphasize the need to treat customer loyalty management as a process which includes plenty of factors interacting with each other.

Devkota and Dahal (2016) study aimed at finding the major factors that have impact on customer satisfaction and customer loyalty in Nepal. The study explored if there's any relationship between service quality dimensions, customer satisfaction and customer loyalty depending upon various situational factors. The study had a sample size of 375 bank customers. Analytical techniques like factor analysis, multiple regression analysis, and descriptive analysis were used along with Sobel test for mediation analysis. This study found that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance had significant positive impact on customer satisfaction and customer loyalty. Similarly, years of relationship had significant positive relationship with customer satisfaction, while frequency of visiting bank had a significant negative relationship with customer satisfaction. In addition, age had positive significant impact on customer loyalty.

Muyeed (2012) evaluated the service quality in retail banking in Bangladesh. This was an analytical study based mainly on the primary data collected through a structured questionnaire. The questionnaire was administered to a sample size of 250 bank customers chosen from four banks in Bangladesh located in the northern district of Kushtia. The results indicated that customers' perception had reached on highest in the Prompt and accuracy in transactions of the bank and lowest in the service of modern equipment and décor. Due to the increasing competition in retail banking, customer service is an important part and bank must give their due attention to the customers' perception about service quality.

Ragavan and Mageh (2013) examined the influence of service quality dimensions on customer overall satisfaction. This study developed an instrument of service quality and examined the relationship between perceived service quality dimensions and customer overall satisfaction. The results showed that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results revealed that the service quality dimensions of tangibles, responsiveness, reliability and assurance were positively and significantly influencing the customers overall satisfaction, while empathy was negatively and significantly influencing the customers overall satisfaction. The study concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. The study stressed the need for bank managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness in order to raise overall customer satisfaction.

Felix (2017) conducted a study to determine the relationship between service quality and customer satisfaction in Rwanda, Kigali branches. The study was based on both descriptive and cross-sectional survey designs. A self-administered questionnaire was used to collect primary data from 498 customers, using convenient sampling technique. Data were analyzed using frequencies, percentages, means, and Pearson’s Linear Correlation Coefficient. The findings revealed that majority of the respondents were female, over half of the respondents had no professional education qualification and majority of the respondents had been customers for relatively a long period of time that is from three years and above. The findings showed a significant and positive relationship between service quality and customer satisfaction while comparing dimension like customer loyalty with reliability, responsiveness and assurance. On the other hand, comparison based on positive word of mouth with service quality sub-variables like Reliability, Assurance, tangibles, empathy and responsiveness, revealed that there was no significant relationship between the variables. The researcher recommended banks to improve on service it offers to customers to ensure their satisfaction; maintain on error-free records service; handle customer problems in constant manner, be willing to solve customer problems promptly and understand specific needs of individual customers.

Baker (2013) examined the service quality and customer satisfaction. The objectives of the study were to compare customer satisfaction and service quality with respect to airlines quality dimensions and subsequently to determine the relationships between the dimensions of service quality and customer satisfaction on the services. Data were collected from the Department of Transportation's Air Travel Consumer Report on the following measures: percentage of on-time arrival, passengers denied boarding, mishandled baggage and customer complaints. Using a quantitative research method, Microsoft Excel version 2010 was used to analyze the data using percentages, mean and standard deviation. Results indicated that while the traditional carriers are converging toward a higher level of service quality, using the four measures, there continue to be significant variation. The service quality of low cost airlines was generally found to be higher than that of traditional legacy airlines.

Karim and Chowdhury (2014) analyzed the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Five dimensions in service quality such as tangibility, reliability, responsiveness, empathy, and assurance were considered as the base for the study. A structured questionnaire with 5-point Likert scale were used to collect the data by conducting a survey. The sample size was 110 and was chosen on a convenient basis. Result of the study showed that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer attitudes in terms of satisfaction, that is, service quality dimensions are crucial for customer satisfaction in private commercial banking sector in Bangladesh.

Saglik et al. (2014) explained the perception of service quality and its impact on satisfaction were examined through a research. A survey questionnaire was used as the data collection technique. In the methodology, factor analysis, ANOVA, t-test, and multiple regression analysis were performed on 689 valid cases of survey data. Multiple regression analysis was applied to three dimensions of refractory service quality (service, hygiene and atmosphere) that were determined as a result of factor analysis, and it was found that these dimensions affected satisfaction positively in general and at the level of 44%. Among the service quality dimensions, it was determined that atmosphere did not have a significant effect on satisfaction. It was

concluded that hygiene dimension had a higher impact on satisfaction than the service dimension.

Anjalika and Priyanath (2018) explored the effect of service quality of commercial banks on customer satisfaction. Data were collected from 141 customers who maintain both public and private bank accounts in the Gampaha district. Convenient sampling method was used to select the sample. Data were collected through a structural questionnaire conducting face to face interviews and the collected data were analyzed through Partial Least Square Structural Equation Model. The study tested five hypothetical relationships between five dimensions of service quality of commercial banks and customer satisfaction. The results revealed a significant positive relationship between tangible and customer satisfaction as well as responsiveness and customer satisfaction of both public and private banks. This study also found that, assurance has a low positive relationship with customer satisfaction regarding private banks, while there was no relationship between assurance and customer satisfaction regarding public banks. Also, empathy and reliability indicated a low positive relationship between customer satisfaction regarding public banks while these two dimensions did not indicate any significant relationship with customer satisfaction regarding private banks. The study concluded that customer satisfaction regarding the service quality of public banks is higher than that of private banks.

Sokachae and Moghaddam (2014) conducted a study on the impact of service quality on customer satisfaction using SERVQUAL model. The purpose of the study was to investigate the effect of 5 components of service quality (SERVQUAL) on customer satisfaction. All customers of Melli Bank in Tehran city 501 branches were part of the population. The study used structural equation modeling for data analysis. The results indicated that the 5 dimensions of SERVQUAL; reliability, trust responsibility, empathy, and tangible factors, had a positive impact on customer satisfaction.

Wafaa and Abderrezzak (2014) aimed to study the variables that may affect customer satisfaction in banking sector, that is; banking service quality, financial benefits and social bonding, and investigate the empirical relationship between them through its impacts on perceived value as an intermediate variable. The study applied Structural Equation Modeling

technique to examine the different relationships between the proposed variables. A questionnaire was developed and administered to a sample of 650 Algerian public bank customers. The results confirmed the existence of a positive indirect impact of banking service quality, financial benefits and Social bonding on customer satisfaction. The estimation results showed that customer satisfaction is a pertinent factor in the assessment of the overall banking service performance and quality.

Shah et al. (2015) study focused on determining the impact of service quality on customer satisfaction in banking sector. This was a cross-sectional study and questionnaire was used. Data was analyzed using reliability statistics, correlation and regression analysis. Finding showed that there exists a significant positive relationship between service quality and customer satisfaction. The study revealed that the respondents responded in disagreement to the quality of services provided to the customers, which in turn affected customer satisfaction. Poor quality of service was being provided to customers who showed a poor customer satisfaction.

Koirala and Shrestha (2018) attempted to measure service quality and customer satisfaction with respect to the service quality dimensions in commercial banking sector. The study used descriptive statistics, correlation, and regression analysis to measure relationship among service quality dimensions, service quality and customer satisfaction variables. The study used 364 sample customers who were banking with commercial banks in Kathmandu valley. The study found that Nepal Investment Bank was the most popular commercial bank in Nepal. All the service quality dimensions; tangibles, reliability, responsiveness, assurance and empathy were found to be important for forming service quality and customer satisfaction of commercial banks. Customer satisfaction was highly affected by service quality.

Al-Azzam (2015) used the model of service quality developed by Parasuraman et al. (1988) with five dimensions to evaluate its effect on the customer satisfaction among Arab bank customers. The results indicated that the higher the service quality, the more the customer's satisfaction. The Dimensions of service quality plays an important role. These dimensions are tangibility, responsiveness reliability, empathy, and security. The findings also indicated that these five factors had positively affected customer satisfaction. This research also showed that the service

quality is an appropriate tool to measure the quality of service in the banking sector. Therefore, the banking sector practitioners should regard this instrument a very important tool to evaluate, support, and improve the quality of their services.

Selvakumar (2015) examined the effect of service quality determinants on the degree of customer satisfaction in public and private banks in India. The study examined the perception of service quality of banking services provided to customers and the relative differences attached with the various determinants of service quality using the SERVQUAL model. It was found that assurance had the most significant impact on customer satisfaction towards banking services provided, and responsiveness had the least significant impact on customer satisfaction towards banks. From the findings, it is clear that the customer expectation exceeds well in assurance provided by the banks in terms of giving importance to customers' suggestions and views, secured transactions, sufficient knowledge base management, accurate record maintenance, meeting customers regularly, etc.

Onigbinde & Odunlami (2014) conducted a study to determine the extent to which telecommunication service providers in Nigeria have satisfied the needs of their numerous customers in Ogun State, Nigeria. Descriptive survey research design was adopted as the study guide. Convenience sampling technique was used in which four hundred and twenty-three (423) copies of questionnaire were administered to selected telecom service subscribers. Pearson Product Moment correlation was used to analyse the data gathered from the respondents. The study revealed that service quality and customer service have no significant relationship with customer satisfaction, while there is a significant relationship between price and customer satisfaction. The study concluded that satisfied customers will keep patronizing the business entities and tell others about their good experiences, while dissatisfied customers will withhold their patronage and tell others about their unpleasant experiences. It was recommended that telecom service providers must be fully committed to quality service so as to ensure optimal quality service delivery.

Shrestha (2020) examined the impact of service quality dimension of commercial Banks on Customer in Nepal. The study aimed at identifying service quality dimensions that influence

customer satisfaction. A structured questionnaire with 5 point Likert scale was used to collect data by conducting field survey. The sample size was 144 and chosen on a convenient basis. Data was analyzed by using mean and Correlation Coefficient. The result revealed that service quality dimensions such as tangibility, reliability, assurance, empathy, and responsiveness had significantly and positively correlated with customer satisfaction of commercial bank in Nepal. The study explained that there is a positive significant relationship between service quality dimension and customer satisfaction. Among the service quality dimension, reliability was highly correlated with customer satisfaction in commercial banks. Therefore, the bank should be able to satisfy customers through superior services and facilities. The bank must try to maintain long term relationship with customers. The customers must believe that their respective banks deliver what they promise in their advertisement, and take regular feedback from customers.

Otoo (2016) examined the effect of customer service quality on customer satisfaction in commercial banks in Ghana. The study sought to determine the demographic characteristics of customers that influence their level of perception, determine the perception of customers about the quality of service provided by the banks, and to establish the relationship between service quality and customer satisfaction. A descriptive study design was employed and involved 360 randomly selected active customers of selected commercial banks in Ghana. Data were analyzed using both descriptive and inferential statistical tools in the SPSS. The study found that the clients of the banks were generally from the middle class of the society with more than half being males, relatively younger, educated and mainly from the private sector of the economy. Age and education were identified as the demographic characteristics that influenced customers' level of perception. Majority of the respondents were satisfied with the banks' services. The banks' service quality features; reliability, assurance, empathy, and tangibles were found to be significant determinants of customer satisfaction. The study therefore recommended that banks should strive to improve upon its customers' perception scores in the areas of empathy, reliability, responsiveness, assurance and tangibles.

The study by Rahman (2012) found that most of the telecom customers in Bangladesh are highly concerned about service quality followed by corporate image. It also discovered that mobile phone service providers in Bangladesh compete not only for networking quality by a large

amount of investment in network quality, network extension and upgrading but also for the acquisition of new customers and retention of old customers by direct and indirect price reduction. Meanwhile, in their study on factors affecting customer satisfaction, Hanif, Hafeez, and Riaz (2010) found that price fairness and customer services contribute to customer satisfaction but comparatively price fairness has a larger impact on customer satisfaction than customer service. The study by Paulrajan and Harish (2011) showed that communication and price were most influential and most preferential factors in selecting telecommunication service provider. Price also plays a significant role in the purchase decision of the telecommunication sector. However, product quality and availability has a significant impact on consumer perception and choice in selecting cellular mobile service provider.

The study by Ojo (2010) investigated the relationship between service quality and customer satisfaction in the telecommunication industry with a focus on mobile telecommunication network (MTN) Nigeria. The study revealed that service quality has effect on customer satisfaction and that there is a positive relationship between service quality and customer satisfaction. It was also revealed that it costs to attract new customers than to retain existing ones. However, Goel (2014) found that service quality is positively related to perceived value, customer satisfaction, and post-purchase intention. The positive relationships among service quality, perceived value, customer satisfaction, and post-purchase intention in mobile added-value services offered a great scope to the mobile value-added service providers.

Loke et al. (2011) conducted a study aimed at examining the impacts of reliability, responsiveness, assurance, empathy and tangible aspects on customer satisfaction. A total of 200 users of a GSM provider participated in the study. Gap analysis was used to determine the perceived importance and satisfaction on each dimension of service quality, and regression analysis was conducted to test the relationship between service quality and levels of customer satisfaction. Results indicated that reliability, responsiveness, assurance and empathy significantly positively influenced customer attitudes in terms of satisfaction and loyalty. In addition, t-test results showed that there was a significant gap between the perceived satisfaction and importance (P-I) on all of the service quality dimensions.

Customer satisfaction is influenced by specific product or service features, perception of quality, customer's emotional responses, their attributions and their perception. Customer satisfaction with a product or service is influenced by customer evaluation of product or service feature (Zettmal et al., 1985). Customer's emotion can also affect their perception of satisfaction with products and services. These emotions can be stable pre-existing emotion. Attribution influence perception of satisfaction when they have been surprised by an outcome, (the service is either much better or much worse than expected), customers tend to look for the reasons their assessments of the reasons can influence their satisfaction (Zettmal et al., 1985). Customer satisfaction is also influenced by perception of equity and fairness customers ask the service.

Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not the same as measuring loyalty. Relationship between Service Quality and Customer Satisfaction (Kotler and Armstrong, 2012) advocate that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. To achieve a high level of customer satisfaction, a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Mesay, 2012). As service quality improves, the probability of customer satisfaction increases. Quality is only one of many dimensions on which satisfaction is based; satisfaction is also one potential influence on future quality perceptions (Clemes, 2008).

Tembo (2021) conducted a study on the assessment of the effect of service quality on customer satisfaction in mobile service delivery in Zambia. The main research objective of the study was to find out if Airtel customers are satisfied with the service quality delivered by Airtel Zambia following modernization and business remodeling efforts. The study employed both qualitative and quantitative research methods where a questionnaire composed of closed and open-ended questions was generated. A sample of 110 respondents were randomly selected. The analysis was done using Statistical Package for Social Sciences (SPSS), and supported by Microsoft Excel. From the results, 70 percent of the respondents indicated that the services offered by Airtel Zambia was good. The research strongly recommended continuous re-branding in order to meet the customers' expectations at the same time improving the quality of services offered.

Sichinsambwe et al. (2017) conducted a study on the comparative service quality and customer satisfaction in Zambian Banks. The main purpose of the study was to determine the relationship between service quality and the resultant customer satisfaction for both foreign and local banks in Zambia. The study used a quantitative survey design and the five dimensions of service quality tangibility, reliability, responsiveness, empathy and assurance were considered as variables. A structured questionnaire with a 7-point Likert scale was used to collect the data and 120 questionnaires were administered to 6 banks with only 108 returned for analysis. The result of the study showed that the mean expectations of the five dimensions of service quality were higher than the mean perception thereby indicating that in general customers of both local and foreign banks are not satisfied with the service being offered by the banks. Furthermore, a t-test on all the five dimensions of quality shows that there was a significant difference on four of the dimensions namely tangibility, reliability, responsiveness and assurance. Tangibility dimension showed that clients appreciate the overall outlook of foreign banks which are visually more appealing than for local banks. On assurance, customers were impressed with the knowledge and courtesy of the foreign bank's employees and their ability to convey trust and confidence when transacting, while responsiveness showed that foreign banks were more willing to provide prompt service than local banks and finally on reliability, customers of foreign banks were happier with the banks' ability to perform the promised service dependably than local banks. A test on empathy did not show any statistical difference between the two types of banks. These revelations are vital in pinpointing where both local and foreign banks need to improve service quality delivery amidst increasing competition in the sector (Sichinsambwe et al., 2017).





### **Assurance**

An assurance is defined as employees' knowledge and courtesy, and the ability of the firm and its employees to inspire trust and confidence (Hennayake, 2017). In other words, it is concerned with knowledge and courtesy of employees and their ability to convey trust and confidence. This dimension is likely to be important for services that customers perceive as high risk or for services of which they feel uncertain about their ability evaluate outcomes (Hennayake, 2017). Tamang (2016) stated that Assurance is defined as knowledge and courtesy of employees and their ability to convey trust and confidence. This dimension helps to minimize the risk related to the bank. Features that gives customers confidence, examples may include; the firms specific service knowledge and polite and trustworthy behavior from employees. The assurance dimension include clarity and adequacy of explanations of the service offered, the friendliness and courtesy of staff and observed knowledge and competence of staff.

### **Empathy**

Empathy is defined as the caring, individualized attention that the firm provide to its customers. The essence of empathy is conveying, though personalized or customized service, customers are unique and special and that their needs are understood (Hennayake, 2017). Empathy is about the caring and individualized attention the firm provides to its customers. Tamang (2016) stated that the essence of empathy is conveying through personalized or customized service that customers are unique and special and that their needs are understood. Customers want to feel understood by the firm that provide service to them. The firm's readiness and ability to provide each customer with personal service empathy represent the extent to which the bank value individual customers.

### **Customer satisfaction**

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations (Kotler, 2006). It is the measure of how product or services supplied by a company meet or surpass a customer's expectation. Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied and if performance exceeds expectations, the customer is highly satisfied or delighted (Kotler, 2006). Customer satisfaction is important because it is a measuring tool for

marketers and business owners to manage and improve their businesses. Customer satisfaction is a key differentiator and element of business strategy (Felix, 2017), and affects all organizations, regardless of its size, whether profit or non-profit, local or multinational. Satisfied customers are key to long-term business success.

### **Customer loyalty**

Customer loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or Service consistently in the future, thereby causing repetitive purchasing of the same brand, despite situational influences and marketing efforts. It can also be defined as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using this provider when a need for this service arises (Seyed, 2007). Loyalty is therefore an attitude or behavior that customers explicitly repeat or exhibit (Seyed, 2007). In addition, Loyalty in service businesses refers to the customer's commitment to do business with a particular organization, purchasing their products repeatedly and recommending others to the organization's products. Christopher and Jochen (2006) ascertain that customer loyalty is actually the result of an organization creating a benefit for customer so that they will maintain or increase their purchases from the organization. True loyalty is created when the customer becomes an advocate for the organization without incentives.

### **2.5 Literature Gaps**

Most of the gaps in the literature are methodological in nature, which includes failing to establish causal relationships between variables, small sample size problem, relying on descriptive analysis only, failing to include customer loyalty as part of the analysis. Kelemu (2017) conducted a study on service quality and its subsequent effect on customer satisfaction at Private Bank. The study found that customers are not satisfied with assurance, reliability and empathy and they are satisfied with tangibles and responsiveness. However, the study did not try to establish causal effect between satisfaction and service quality features and did not assess customer loyalty as an outcome effect of customer satisfaction. Shanka (2016) conducted a study on Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector.

However, this study had a relatively small sample size (260 participants). Hoang (2023) study determined the factors affecting service quality at Vietnamese retail banks, however, the study did not assess the effects of service quality on customer loyalty. Sthapit (2021) conducted a study on the effect of service quality on customer satisfaction in Nepalese banking industry. The study found that independent variables namely tangibility, reliability, assurance and empathy had positive significant relationship to the customer's satisfaction in banking sector. However, the study did not establish the causal effect of service quality on customer loyalty. Awan et al. (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. Data was collected from a relatively small sample of 200 walk-in customers, and used non-probability sampling method.

## **2.6 Chapter Summary**

Chapter two has presented the literature regarding the effect of service quality on customer satisfaction. Service quality model and customer expectation theory has been presented to understand the problem. The chapter has also presented empirical findings of other researchers in line with the study. The chapter that follows will present the research methodology.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This research methodology outlines all the specific methods that was used in conducting the study. It outlines the research design, study population and sampling techniques used by the study, method of data collection, the type of research instruments that were used and the analysis model that was employed in investigating the effect of service quality on customer satisfaction. The chapter therefore provides a complete view of the research approach, nature of the study, strategies and instruments used in achieving all the objectives of the research study.

#### **3.2 Research Design**

The research design is the conceptual structure within which the research is conducted. It is the basis for collecting, measuring and analyzing data and interpreting observations. The important characteristics of a research design are the anticipated planning of the techniques that will be used to collect and analyze data, taking into account the research objective and the financial and temporal implications (Kothari, 2004). This study used descriptive and causal research designs. Burns and Bush (2010) argue that the descriptive design of the research is a set of methods and procedures that describe the variables, and Churchill and Brown (2007) postulate that a descriptive design of research generally refers to determining the frequency with which something happens. This study employed the use of descriptive design method to obtain descriptive statistics, such as frequencies, percent, mean and standard deviation. The study also used the causal research design to establish the effect of service quality on customer satisfaction, and the effect of customer satisfaction on customer loyalty.

#### **3.3 Target Population**

Zikumund, (2003) defined a population as an identifiable total set of elements of interest being investigated by a researcher. The target population for the study therefore was the entire group of Customers at ZANACO Branch Cairo Road. The population of the study covered all 25, 000

customers banking with ZANACO Main in Lusaka District who have been banking with ZANACO for one to seven years. The branch was selected because it carries out all banking functions and many account holders giving the study a good representation that can be generalized. ZANACO Main Branch have been selected due to its geographical distance and centrality location that customers from afar and different places can easily access. In addition, the population of ZANACO Main Branch is big hence different views can be obtained from customers coming from different geographical locations. Hence, the bigger the population, the more generalization can be inferred from the same. So by choosing ZANACO Main Branch, it is the intention of the researcher that the study will be conducted effectively and efficiently.

### 3.4 Sampling Techniques

Creswell, (2009) define sampling as the way of drawing inference about a population without studying the entire population. Sampling is good because it helps to save on costs and time of conducting the study. Thus, the researcher selected ZANACO Main Branch in Lusaka using purposive sampling method. The study further used systematic sampling technique to select the research participants for the study. Systematic sampling is a type of probability sampling technique that is used to select samples randomly. In this study, systematic sampling technique was conducted by selecting every third customer who walked to the bank to deposit money. The interval of three was calculated by dividing the number of customers during the survey period by the sample size.

### 3.5 Sample Size

Sample size is actually the total number of units which are to be selected as participants or specimens to obtain data. ZANACO main branch in Lusaka (Cairo road) had a total of 25,000 bank customers. The sample size was calculated using Slovin's formula, and gave a sample size of 397 bank customers.

Slovin's formula for sample size ( $n$ ) calculation:

$$n = \frac{N}{(1 + Ne^2)}$$

$$n = \frac{25000}{(1 + 25000 * (0.05 * 0.05))} = \frac{25000}{63.5} = 396.8254 = 397$$



scholars can confidently refer to the work for their new studies, and also that decision makers can apply the findings when formulating strategies. In order to enhance validity and reliability of the study, questionnaire was designed in a manner that ensured that the questions were in conformity with the objectives of the study. Further, scientific methodologies of determining data sources, sampling frames as well as analyzing the data were strictly adhered to. This was done to ensure that there was no biasness in the selection of respondents to be included in the study. Cronbach Alpha was calculated to test for reliability, and gave a test score of more than 70% which is acceptable.

### **3.9 Ethical considerations**

Given that the study involved primary data collection from the main source, it was important to ensure that confidentiality as well as the right of privacy for the individual respondents was not violated in any way. To ensure this, an introductory letter from the school was obtained introducing the researcher and the purpose of the study. It was made clear to the respondents that they needed not indicate their identity on the questionnaire as the study was only interested in their responses, besides the general demographic characteristics such as age, education, etc. The study also ensured to uphold confidentiality by not disclosing the information. The questionnaire was carefully reviewed not to damage the image of the bank.

### **3.10 Chapter Summary**

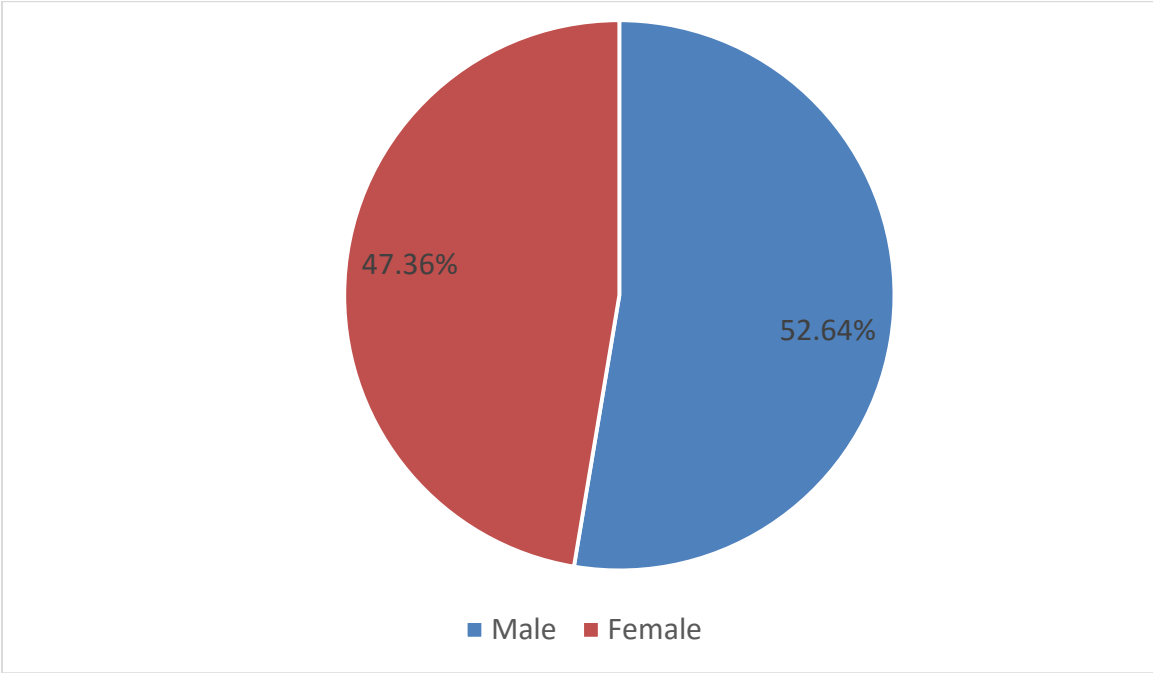
This chapter outlined the methods used in conducting the study to ensure the research objectives were achieved. The chapter explained the descriptive and causal research designs, primary data collection from the bank customers, ZANACO main branch. The methods of data collection and analysis have been clearly explained. The next chapter presents the results of the study in line with the objectives, and will discuss the findings.

**CHAPTER FOUR**  
**RESULTS AND DISCUSSION**

**4.1 Introduction**

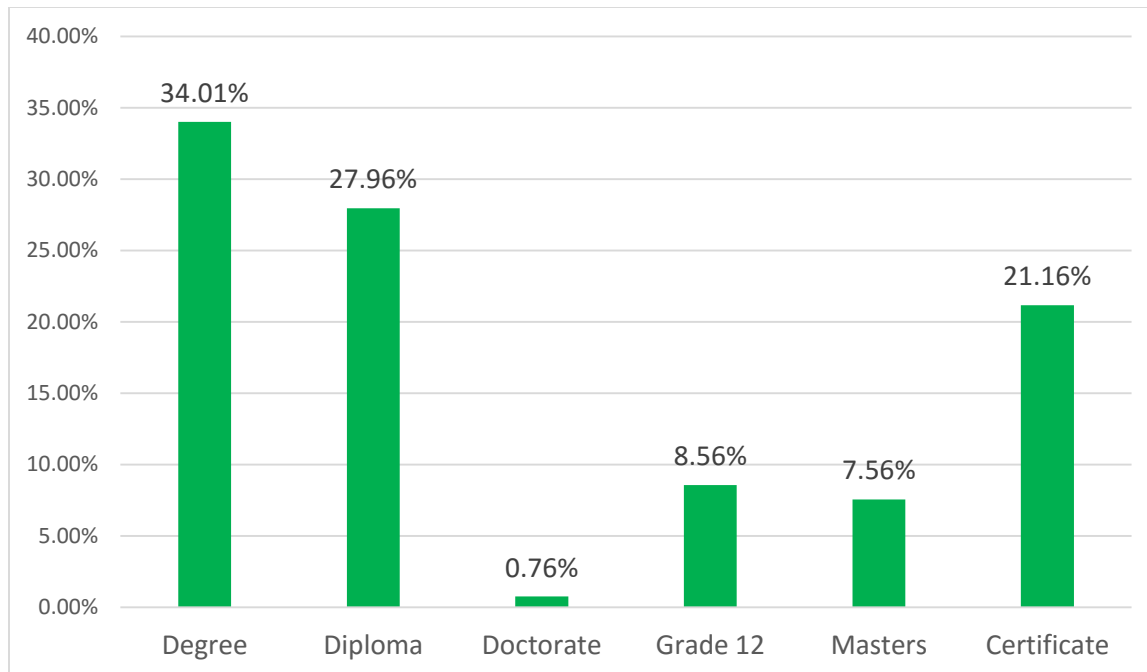
This chapter presents the results of the research survey that was conducted with a total of 397 participants, who are ZANACO bank customers. The results presented are therefore from actual primary data collected for study. The chapter starts by first presenting the demographic characteristics of the respondents (age, gender, education levels, etc.), then results on the quality features important for bank customers. The chapter will thereafter present results on the effect of service quality on customer satisfaction, including customer satisfaction levels. The chapter will also present results on measures that can help improve the quality of service for the bank increase customer satisfaction for business continuity and positive recommendation of the bank to other people. Lastly, the chapter will discuss the results in the light of existing literature.

**4.2 Demographic Characteristics of the Respondents**



**Figure 4.1 Gender of the Respondents**





**Figure 4.3 Education Levels of the Respondents**

With regard to education levels of the respondents, figure 4.3 shows that 34.01% of the respondents had degree level of education, 27.96% of the respondents had diploma education level, 0.76% of the respondents had doctorate degree level of education, 7.56%, 8.56% had grade 12 level of education, 7.56% had masters degree level, and 21.16% of the respondents had tertiary certificate level of education. Majority of the respondents were well educated, with over 70% having diploma and higher levels of education.

**Table 4.2 Customers' years of banking with ZANACO**

Variable	Obs	Mean	Std. Dev.	Minimum	Maximum
Years	397	8.148615	4.619412	2	21

Table 4.2 shows customers' years of banking with ZANACO. The minimum number of years of banking with ZANACO was 2 years, and the maximum was 21 years. The mean years of banking with ZANACO was 8 years (8.1486), with a standard deviation of 4.6194.

### 4.3 Service Quality Features Important for bank Customers

**Table 4.3 Service Quality Features Important for bank Customers**

Quality Feature	Frequency	Percent
Quick in attending to customers	394	99.24%
Physical appearance of the banks	245	61.71%
Courtesy of the bank employees	322	81.11%
Accuracy of the banking transactions	397	100%
Appearance of the employees	191	48.11%
Safety of the banking services	370	93.20%
Appearance of the banking equipment	166	41.81%
Size of bank buildings	189	47.61%
Efficiency in bank services	397	100%
Customer care	389	97.98%
Convenient operating hours	393	98.99%
Reliability of banking services	397	100%
Affordability (Cost) of banking services	393	98.99%

The study assessed the service quality features that are important to bank customers. This was done using descriptive analysis. Based on the results in table 4.3; 99.24% of the respondents indicated quick in attending to customers to be important, 61.71% indicated physical appearance of the bank, 81.11% indicated courtesy of the bank employees, all the respondents (100%) indicated accuracy of the banking transactions, 48.11% indicated appearance of the employees, 93.20% of the respondents indicated safety of the banking services, and 41.81% of the respondents indicated appearance of the banking equipment. In addition, 47.61% of the respondents indicated size of bank buildings to be important, All the respondents indicated efficiency in bank services, 97.98% indicated customer care, 98.99% of the respondents indicated convenient operating hours, all the respondents indicated reliability of banking services, and 98.99% of the respondents indicated affordability (cost) of the banking services.

From these results; reliability, responsiveness, accuracy and empathy (courtesy and care) are important service quality features for bank customers, while tangible features (appearance of









are satisfied with low cost services. Koirala and Shrestha (2018) found that all the service quality dimensions; tangibles, reliability, responsiveness, assurance and empathy were important for forming service quality and customer satisfaction of commercial banks.

### **Customer satisfaction levels with the services offered by ZANACO bank**

The study determined customer levels of satisfaction with the banking services provided. From the results, 55.42% of the respondents indicated that they are very satisfied with the bank services, 37.53% indicated that they are satisfied with the services, while 7.05% were neither satisfied nor dissatisfied. This clearly shows that customers were satisfied with the bank services, as the majority were very satisfied and satisfied.

From the literature, a study by Kelemu (2017) aimed at measuring the service quality and its subsequent effect on customer satisfaction in Private Bank using SERVQUAL model. Convenience sampling technique was used in the study to take a sample the population. It was found that customers are not satisfied with assurance, reliability and empathy and they are satisfied with tangibles and responsiveness. However, in this study, customers were satisfied with the service quality features. Baker (2013) examined the service quality and customer satisfaction. Results indicated that customers were not satisfied with some service quality features. Saglik et al. (2014) study analyzed the three dimensions of refractory service quality; service, hygiene and atmosphere. The study found that these dimensions affected satisfaction positively in general and at the level of 44%. Among the service quality dimensions, it was determined that atmosphere did not have a significant effect on satisfaction. It was concluded that hygiene dimension had a higher impact on satisfaction than the service dimension. Anjalika and Priyanath (2018) found that empathy and reliability had a low positive relationship between customer satisfaction regarding public banks. Shah et al. (2015) study finding showed that there exists a significant positive relationship between service quality and customer satisfaction. The study revealed that the respondents responded in disagreement to the quality of services provided to the customers, which in turn affected customer satisfaction. Poor quality of service was being provided to customers who showed a poor customer satisfaction.

## **Effect of service quality on customer satisfaction at ZANACO bank**

The study assessed the effects of service quality features on customer satisfaction. The study found that availability of banking services has a strong positive effect on customer satisfaction, (0.7984 correlation coefficient), speed in providing services had a strong positive effect on customer satisfaction (0.7594 correlation coefficient), accuracy of banking transactions was found to have a strong positive effect on customer satisfaction (0.8666 correlation coefficient), employees willingness to help customers had a significant positive effect on satisfaction (0.8075 correlation coefficient), appearance of physical facilities had a weak positive effect on customer satisfaction (0.255 correlation coefficient), appearance of employees had no significant effect on customer satisfaction. Further, the study found that, courtesy of bank employees has a significant strong positive effect on satisfaction (0.8974 correlation coefficient), reliability of services has a significant strong positive effect on satisfaction (0.8325 correlation coefficient), trustworthiness of services had a strong positive effect on customer satisfaction (0.8484 correlation coefficient), giving individual attention to customers had a significant strong positive effect on satisfaction (0.8081 correlation coefficient), Bank's technology system was found to have a significant moderate positive effect on customer satisfaction (0.5317 correlation coefficient), Bank's reception was found to have a strong positive effect on satisfaction (0.7431 correlation coefficient), assurance of safety was found to have a strong positive effect on customer satisfaction (0.8629 correlation coefficient), Bank's operating hours was found to have a negative weak effect on customer satisfaction (-0.1092 correlation coefficient), equipment used by the bank had no effect on customer satisfaction, Products offered by the bank was found to have a significant positive effect on (0.9246 correlation coefficient), affordability of bank services was found to have a positive effect on customer satisfaction (0.6449 correlation coefficient). The results clearly shows that banks' responsiveness, accuracy, reliability and empathy significantly affect customer satisfaction, while tangible features have little to no effect on customer satisfaction.

The study findings are in line with the literature; Shanka (2012) found that there was a positive relationship between service quality and customer satisfaction in the banking sector. A study by Joshi (2021) revealed a positive relationship between service quality and customer satisfaction. All the service quality dimensions had statistically significant positive effect on customer

satisfaction except tangibility. Shanka (2016) found that there is a positive correlation between the dimensions of service quality features (reliability, assurance, tangibility, empathy and responsiveness) and customer satisfaction. Hoang (2023) study identified factors that affect customer satisfaction with the service quality at Vietnamese retail banks. The findings showed that customer satisfaction with the service quality at retail banks is influenced by reliability, responsiveness, empathy, security and tangibles. Sthapit (2023) study focused on examining customer satisfaction towards service quality of Nepalese commercial banks. The study found that independent variables namely tangibility, reliability, assurance and empathy had positive significant relationship to the customer's satisfaction in banking sector. However, responsiveness was found not to have significant effect on customer satisfaction. According to a study by Munusamy et al. (2010), assurance, responsiveness, empathy and reliability were found not have significant effect on customer satisfaction. Tangibles had positive significant effect on customer satisfaction. Awan et al. (2011) found five service quality dimensions namely empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services, and knowledge for the overall banking industry. Ragavan and Mageh (2013) study found that the service quality dimensions of tangibles, responsiveness, reliability and assurance were positively and significantly influencing the customers overall satisfaction, while empathy was negatively and significantly influencing the customers overall satisfaction. Karim and Chowdhury (2014) study found that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer satisfaction. Sokachae and Moghaddam (2014) study results indicated that the 5 dimensions of SERVQUAL; reliability, trust responsibility, empathy, and tangible factors, had a positive impact on customer satisfaction. Al-Azzam (2015) found that the higher the service quality, the more the costumers are satisfied. The findings also indicated that tangibility, responsiveness reliability, empathy, and security had positively affected customer satisfaction.

### **Effect of customer satisfaction on customer loyalty at ZANACO bank**

The study assessed customers' intentions to continue banking with Zambia. From the results 53.15% of the respondents strongly agreed to continue business with the bank, 44.84% of the

respondents agreed to continue business, while 2.02% of the respondents were not sure. Based on these results, the bank has high percentage of loyal customers that are willing to continue business.

The study assessed the effect of customer satisfaction on customer loyalty, i.e. the intentions of bank customers to continue banking with ZANACO. The study found that customer satisfaction has a strong positive effect on customer loyalty, with a correlation coefficient of 0.9264, statistically significant at 0.0001 p-value.

In line with the literature; Shanka (2012) found that customer satisfaction lead to high commitment and loyalty to banking services. Customers will tend to be loyal if the bank is trustworthy, committed to service, reliable and efficient in communicating with customers, and is able to solve problems properly. Minh and Huu (2016) developed and empirically tested the interrelationships between service quality, customer satisfaction, and customer loyalty in a retail banking context. The analysis revealed that service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. Devkota and Dahal (2016) study aimed at finding the major factors that have impact on customer satisfaction and customer loyalty in Nepal. The study found that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance had significant positive impact on customer satisfaction and customer loyalty. Felix (2017) study findings revealed a significant and positive relationship between service quality and customer satisfaction while comparing dimension like customer loyalty with reliability, responsiveness and assurance. Loke et al. (2011) found that reliability, responsiveness, assurance and empathy significantly positively influenced customer satisfaction and loyalty.



correlation analysis to determine the effect of service quality features on customer satisfaction, and the effect of customer satisfaction on customer loyalty.

From the findings, the service quality features important to bank customers were; quick in attending to customers, courtesy of the bank employees, accuracy of the banking transactions, safety of the banking services, customer care, convenient operating hours reliability of banking services and affordability (cost)of services. From these results; reliability, responsiveness, accuracy and empathy are important service quality features for bank customers, while tangible features are not so important, as few respondents indicated these to be important. From the results, 55.42% of the respondents indicated that they are very satisfied with the bank services, 37.53% indicated that they are satisfied with the services, while 7.05% were neither satisfied nor dissatisfied. This clearly showed that customers were satisfied with the bank services, as the majority were very satisfied and satisfied. From the spearman correlation results, the study found that banks' responsiveness, accuracy, reliability and empathy significantly affect customer satisfaction, while tangible features have weak to no effect on customer satisfaction. The study assessed the effect of customer satisfaction on customer loyalty, i.e. the intentions of bank customers to continue banking with ZANACO. The study found that customer satisfaction has a strong positive effect on customer loyalty, with a correlation coefficient of 0.9264, statistically significant at 0.0001 p-value. The study therefore achieved all the objectives and gave the following recommendations.

### **2.3 Recommendations**

1. Banks should focus more on reliability, assurance, empathy and responsiveness to increase customer satisfaction.
2. The bank should also use offering of incentives like reduction of banking charges to ensure customer satisfaction.
3. Banks should be continuously employing customer loyalty programs that are satisfying to customers to remain competitive.

## **2.4 Recommendation for future studies**

A study may be conducted on the effect of customer loyalty (customer retention) on profitability in the banking sector. This area seem to be less researched, but it's important to know the value of customer retention.

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## **APPENDICES**

### **Appendix 1: Questionnaire**

**Quest No.....**

Dear Respondent,

**RE: AN INVESTIGATION OF THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: A CASE OF ZANACO BANK.**

Reference is made to the above subject matter in which I am requesting data from you. This is in partial fulfilment of the requirement for the Master's degree in Business Administration at the University of Zambia. This study is to help banks identify important service quality features for increasing customer satisfaction, and maintain good quality of service.

Your personal identification either by name or residential address is not required. The information provided in this questionnaire will be used strictly for academic purposes and will ensure that the data you provide is treated with complete confidentiality and be used for the sole intended purpose. The findings of this study will never be associated with any single person, hence, feel free to respond to all the questions in sincerity. Your time and cooperation is highly appreciated.

Yours sincerely,

**CHRISLAY MICHELO MUCHIMBA**

**For any clarification or information please call: +260977175362**

**SECTION A: DEMOGRAPHIC CHARACTERISTICS**

1. What is your gender?

- 1. Male [ ]
- 2. Female [ ]

2. Please indicate your age in years at your last birthday. .... Years.

3. What is your marital status?

- 1. Single [ ]
- 2. Married [ ]
- 3. Widowed [ ]
- 4. Divorced [ ]
- 5. Separated [ ]

4. Indicate the highest level of education you have attained?

- 1. Grade 12 and below [ ]
- 2. Tertiary Certificate [ ]
- 3. Diploma [ ]
- 4. Degree [ ]
- 5. Master's degree [ ]
- 6. Doctorate degree [ ]

6. For how long have you been banking with ZANACO? .... Years.

**SECTION A: SERCIVE QUALITIES**

7. Which of the following are important features you need from a banking institution.

- |                                    | 1. Yes | 2. No |
|------------------------------------|--------|-------|
| 1. Quick in attending to customers | [ ]    | [ ]   |

- |  |        |        |
|--|--------|--------|
| 2. Physical appearance of the banks          | [    ] | [    ] |
| 3. Courtesy of the bank employees            | [    ] | [    ] |
| 4. Accuracy of the banking transactions      | [    ] | [    ] |
| 5. Appearance of the employees               | [    ] | [    ] |
| 6. Safety of the banking services            | [    ] | [    ] |
| 7. Appearance of the banking equipment       | [    ] | [    ] |
| 8. Size of bank buildings                    | [    ] | [    ] |
| 9. Efficiency in bank services               | [    ] | [    ] |
| 10. Customer care                            | [    ] | [    ] |
| 11. Convenience of operating hours           | [    ] | [    ] |
| 12. Reliability of banking services          | [    ] | [    ] |
| 13. Affordability (Cost) of banking services | [    ] | [    ] |

Kindly indicate how you would rate the following service quality features for the bank

**1. Very good, 2. Good, 3. Average, 4. Bad, 5. Very bad**

		1	2	3	4	5
1	Availability of banking services					
2	Speed of providing services					
3	Accuracy of banking transactions					
4	Employees willingness to help customers					
5	The appearance of physical facilities					
6	Appearance of employees					
7	Courtesy of bank employees					
8	Reliability of services					
9	Trustworthiness of banking services					
10	The bank in giving you individual attention.					
11	The bank is up to date with technology					
12	The bank's reception					
13	When the bank promises to do something by a certain time					

14	The bank's sincere interest in solving your problems						
15	Behavior of employees in instilling confidence in you.						
16	Assurance of safety in banking transactions						
17	Convenience of operating hours for the bank.						
18	The equipment used by the bank						
19	The products offered in meeting customer needs						
20	Affordability of banking services						

11. How satisfied are you with the banking services provided by the bank?

- 1. Very satisfied [     ]
- 2. Satisfied [     ]
- 3. Moderately satisfied [     ]
- 4. Dissatisfied [     ]
- 5. Very dissatisfied [     ]

12. I say positive things about the bank to other people

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

13. I intend to continue being a customer of the bank for a long time to come

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

14. will encourage friends and relatives to use the service offered by the bank

- 1. Strongly agree
- 2. Agree

- 3. Neither agree nor disagree
- 4. Disagree
- 5. Strongly disagree

15. What measures can be put in place to improve the quality of service for the bank?

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.....

**THANK YOU**