ASSESSING SERVICE QUALITY IN COMMERCIAL BANKS
A CASE STUDY OF MERCHANT BANK GHANA LIMITED

BY

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the degree of

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DECLARATION
I hereby declare that this submission is my own work towards the Commonwealth Executive Master in Business Administration and that, to the best of my knowledge, it neither contain material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. The general objective of this study is to assess the level of service quality delivery at Merchant Bank Ghana Limited. The focus was on the four branches of Merchant Bank located in the Kumasi Metropolis. The outcome of study will enhance the Bank’s competitive position in the banking industry and ensure its survival. Convenient sampling technique was employed in the study with Statistical Package for Social Scientist (SPSS) used in the analysis. The expectations and perceptions of Merchant Bank customers were assessed under the five dimensions of sequel. It was found that all the five dimensions contributed to quality of service delivery in Merchant Bank. Comparison between the customer responses and service delivery revealed the need for Merchant bank management should work towards enhancing customer relationship management. Statistically using the Z test, there were no significant differences among the five service quality dimensions. However, assurance and tangibility dimensions recorded significant difference among the expectation and perception with a quality gap of 0.310 and 0.325 respectively. It can however be concluded from the analysis that customers were not satisfied with service delivery of Merchant Bank. To ensure customer retention and improve on competiveness, Merchant Bank should regularly assess service delivery.
DEDICATION

This work is dedicated to the Almighty God and my loving parents and the rest of the family. I know this dedication cannot compensate for the time you missed out during the period of this study. However it is to say that I really appreciate your love and support.
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I am indebted to the Almighty God and many other people for their support throughout the conduct of this study.

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CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

This chapter introduces the phenomenon under study. It consists of the background of the study, problem statement, objectives of the researcher in carrying out the study and the importance of the study to the organisation in which the study is conducted. The chapter finally outlines the structure of the thesis.

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis (Lee 2004). Therefore service-based companies like the banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of trade liberalisation and globalisation.

High patronage of services depends on the satisfaction customers derived from a service. Sales are directly related to customer satisfaction; sales increase requires improvement in the quality of service delivery to encourage continuous patronage. Generally, it is believed that services which continuously and consistently delight customers make them happy and satisfied. In such situation, they become loyal customers and will continue to demand the service which in turn will result in profit and growth of an organisation. As a consequence, there is a shift in quality focus from the original producers’ point of view, which goes under different names such as “service-based quality” (Garvin, 1984), “objective and subjective quality” (Shewhart, 1931 cited in Summers 2005), and “operations management quality” (Steenkamp, 1990) towards the customers’ base quality, recognizing quality as a
subjective matter (Summers, 2005). Subjective quality has received much preference and attention, especially in free-market economies (Kondo, 2000), so as to win customers.

According to Saravan and Rao (2007), service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the marketplace and achieving customer satisfaction. The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996). Literature has proven that providing quality service delivery to customers retains them, attracts new ones, enhances corporate image, lead to positive referral by word of mouth, and above all guarantees survival and profitability (Negi, 2009; Ladhari, 2009).

Despite the criticality of service quality to businesses, measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Bateson, 1985; Douglas & Connor, 2003). In view of this, services require a distinct framework for quality explication and measurement. Among the prominent frameworks, SERVQUAL model developed by Parasuraman et al. (1985; 1988) is most preferred and widely used model for measuring service quality in the service industry.

1.1 Statement of Problem

The trade liberalisation and globalisation have resulted in keen competition among firms and industries. The Ghanaian banking industry is not exempted especially with the proliferation of banking and financial institutions in the country. With the availability of goods and services, organisations need proactive strategies, the absence of which can lead
to a steady decline of market share (Collier, 2006). Researchers recommend making service quality a cornerstone of an organisation’s marketing strategy in order to ensure successful business (Asubonteng et al., 1996; Collier, 1991).

Customers have become knowledgeable and this has gradually led to a greater degree of “consumer sovereignty” (Blanchard & Galloway, 1994), when making a choice. Customers’ choice of a bank over another is based on several factors such as the location, interest rates, quality of service delivery and the bank’s reputation. However, service quality is seen as one of the key factor and thus has received considerable attention by organisations. Stafford (1996) opines that the financial services, particularly banks, compete in the marketplace with generally undifferentiated products, therefore service quality becomes a primary competitive weapon. The banking industry is highly competitive; banks do not only compete among each other; but also with non-banks and other financial institutions both local and foreign (Kaynak and Kucukemiroglu, 1992; Hull, 2002).

In the quest to improve its services, retain and attract customers, Merchant bank has introduced innovative measures like extended business hours, ATM network, internet banking, improved banking hall facilities among others, all in the interest of enhancing customers’ comfort. These efforts which aim at bringing satisfaction to the customers seem to be futile. Customers’ preferences and expectations seem not to match up with the bank’s initiatives. There is incessant complaint of long waiting at the banking hall, failure of network system and Automatic Teller Machines; and defection to other banks.

The emerging situation calls for the assessment of service quality in relation to customer expectation and service performance to help Merchant Bank to improve its service quality and enhance satisfaction so as to ensure customer retention.
1.2 Objectives of the study

The main objective of this study is to assess the level of service quality delivery at Merchant Bank Ghana Limited.

The specific objectives of the study are to:

1. Assess service quality level of Merchant Bank using SERVQUAL
2. Assess customer satisfaction level of the services provided by Merchant Bank.
3. Ascertain customer expectations of banking services to ensure customer retention.
4. Assess the relationship between service performance and customer retention.

1.3 Research Questions

In order to provide answers to the research objectives, the following questions are posed for investigation:

1. What is the level of quality of service provided by Merchant Bank Ghana Limited?
2. What is the level of satisfaction customers derive from the services of Merchant Bank?
3. What are the expectations and perceptions of customers on service delivered by Merchant Bank?
4. Is there any relationship between quality service delivery and customer retention?

1.4 Significance of Study

This study identifies quality dimensions significant to Merchant Bank to enable the bank to develop strategies to improve the quality of service delivery. This will enhance the Bank’s competitive position in the banking industry and ensure survival of the bank, especially in this era of keen competition.
By measuring the satisfaction level of customers, Merchant Bank can develop customer-centric service approach to deal with customers in order to avoid the tendency of existing customers switching to a competing bank. By identifying what customers expect and perceive to be quality, Merchant bank can revise, redesign or repackage its service operations and tailor them to meet the perceptions and expectations of the customers. By this the services delivered will bring satisfaction to the customers and make them stay while attracting new ones. Customers have become quality conscious, so they compare service offering of companies and will opt for superior quality services. The study will serve as a guide for Merchant Bank to develop policies which will improve its overall service delivery, especially in areas where gaps between expectations and perceptions are so wide to enhance customer satisfaction. This will give Merchant Bank a comparative advantage and the most preferred bank in the banking industry. By virtue of improved services, banks and companies alike can benchmark the policies and strategies of Merchant Bank for their quality improvement programmes leading to overall improvement in the banking sector and possibly translate to other sectors of the economy.

Lastly, the study will serve as a guideline for further research in service quality in the banking industry or related field.

1.5 **Scope of Study**

The study is limited to service quality practices of Merchant Bank. The Bank has branches in almost all the regions of Ghana. This study however focuses on the four branches of Merchant Bank located in the Kumasi Metropolis.
1.7 Organisation of the Study

The thesis is structured into five chapters:

Chapter one gives a brief description of the research and highlights salient discussions on the effect of service quality on customer satisfaction and retention. The chapter also presents a statement of the problem, objectives of the study, research questions, significance of the study, brief methodology and the structure of the thesis.

Chapter two describes quality management from historical perspective, the concept of quality and description of service based on the literature from numerous writers. Service quality dimensions/models, customer satisfaction and the importance of service quality to businesses are also discussed in this chapter. The chapter also presents the conceptual framework of the study.

Chapter three presents the methodological perspectives of this study. The strategies adopted in the study are fully discussed in this chapter. The strategies included sample/sampling procedures and the questionnaire survey. Chapter four presents the analysis and discusses of the results of the study. Chapter five presents a brief summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations for improving service quality.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews works done on Quality Management theoretically. The review focuses on the overview of concept of quality, concept of service, service quality, service quality measurements and models, customer satisfaction, and the role of service quality in ensuring customer satisfaction and retention. This chapter will further present service quality concept adopted in this study and explain in detail the constructs of the study.

2.1 Concept of Quality

The word ‘quality’ is frequently used to describe products and/or services. It connotes different meaning to different people and organisations, and therefore lacks universal definition. As a result there have been numerous definitions of quality from literature in an attempt to establish a common understanding. Until recently, the concept of quality was heavily associated with product. Thus, quality issues became prominence in the manufacturing era and that majority of the quality definitions possess product characteristics. Quality was initially seen as a defensive mechanism but it is seen as a competitive weapon for developing new markets as well as increasing market share (Davis et al, 2003).
2.1.1 Meaning of Quality

Product or Service Features

The British Standard BS 4778 defines quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy a given need (Wille, 1992). An organisation identifies a need in the market and produce with the mind to fulfil that need. When the need is satisfied, such organisation is deemed quality organisation. However, it is argued that who describes the need limiting the need rather than generalising it.

Fitness for Use

Juran (1988) defines quality as “fitness for use”. The definition raises the question of who defines ‘fit’ and ‘use’. The only way a product is said to be ‘fit’ is when it has been tried and tested or used. A company can test a product and approve it as fit for use but a customer may disapprove it. This definition considers standard as the key element for quality. When a product is certified it is described as ‘fit for use’.

Conformance to Requirements

Crosby (1979) defines quality as conformance to requirements. The definition maintains that when a company sticks to the pattern provided by the customers, such product or service is deemed quality. Before the product or service is said to conform to requirement, it should be devoid of defects, meets all deadlines and ensures proper safe delivery. This definition is critiqued of its sufficiency; the ‘requirement’ is seen as limited. The provider is likely to settle on just meeting the specification while another may come up with product or service which will better suit the underlying requirements of the customers. In
other words, the customers may lack technical expertise to provide accurate specification and something better will be welcomed.

**Associated Features of Product or Service**

According to Feigebaum (cited in Rao et al., 1996), quality is the total composite product and service characteristics of marketing, engineering, manufacturing and maintenance through which the product and service in use will meet the expectation of the customer. The definition establishes that a product or service must be adequate in all aspect in order to meet the intended purpose or use.

**Delighting the Customer**

Macdonald and Piggott (1990) define quality as delighting the customer by continuously meeting and improving upon agreed requirements. Harrington (1987) argues that excellence is a never ending, so ‘good is not good enough’ until good is better and better is best. Firms should forever improve in order to maintain their customers. When customers a delighted, it is difficult for them to be swayed. This is one of the definitions which has received credence since it considers customer’s requirement and at the same time requires the provider to look beyond the requirement to areas which will bring the optimum.
2.1.2 Categories of Quality Definition Approaches

Garvin (1980 cited in Rao et al, 1996) in an attempt to establish a common understanding of quality from the numerous definitions categorises the definition into five approaches: transcendent, product-based, user-based, manufacturing-based and value-based. The transcendent approach defines quality as achieving or reaching for the highest standard as against being satisfied with mediocrity. Such quality is seen in artwork and literature. Product of this quality description may not appear quality to everyone.

The product-based approach identifies specific measurable features or attributes to indicate high quality. With the user-based approach, the user is the determiner of quality of a product or service. The approach links customers’ satisfaction to quality; when the product or service satisfies the user, it is described as high quality. The manufacturing-based approach describes quality much the same as Crosby as “conformance to requirement”. Thus quality depends on the closeness of the product or service to the specified requirement. The specification provides standards (control limits) for tolerance (Rao et al., 1996).

The value-based approach defines quality as the degree of excellence at an acceptable price and the control of variability at an acceptable cost. There is a view that purchasing decision involves trading off the quality against the price. They sought for value – more features, better reliability and more support for their money. In other words, choice of a particular product depended on the value the customers derived from the product (Rao et al., 1996).
2.1.3 Emerging Quality Description

The accelerating expectation of the customers coupled with the rebuilt of many manufacturing systems and the edge to meet the expectations resulted in organizations considering improvement decision as pertinent. During these periods quality was described as “little q”, which meant product quality. With the proliferation of service industries, a new quality movement emerged and was labelled as “big Q” (Smith, 1994). Quality which was seen as a defensive mechanism is recognized as a competitive weapon for developing new markets as well as increasing market share (Davis et al, 2003). Table 2.1 gives the distinction between “little q” and “big Q”.

**Table 2.1: The new quality thinking**

<table>
<thead>
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<th>Little q</th>
<th>Big Q</th>
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<tr>
<td>Quality is about products</td>
<td>Quality is about organisation</td>
</tr>
<tr>
<td>Quality is technical</td>
<td>Quality is strategic</td>
</tr>
<tr>
<td>Quality is for inspector</td>
<td>Quality is for everyone</td>
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<tr>
<td>Quality is led by expert</td>
<td>Quality is led by management</td>
</tr>
<tr>
<td>Good quality is high grade</td>
<td>Quality is the appropriate grade</td>
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<tr>
<td>Quality is about control</td>
<td>Quality is about improvement</td>
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*Source: Smith (1994)*
Gummesson (1994) identifies three management paradigms; manufacturing paradigm which focuses on goods and mainly concerned with productivity technical standards; the bureaucratic-legal paradigm used mainly in the public sector and is more concerned with regulations and rituals before end results. The third paradigm is the service paradigm which mainly focuses on service management particularly in the marketing area and stresses the importance of customer interaction with service provider in delivering service and creating value. The service paradigm emphasises a shift from the goods-focused to service-focused management.

2.2 Description of Service

Bateson and Hoffman (1999) define services as deeds, efforts or performance whilst Regan (1963) sees services as activities, benefits or satisfactions offered for sale or provided in connection with the sale of goods. Heizer and Render (1999) describe services as “those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations”. Johns (1999) adds that service could mean an industry, a performance, an output or offering or a process. As compared to manufactured products, services are less tangible and less measurable. Service organisations have a significant proportion of their employees in direct contact with their external customers. According to Fox (1993), customers’ perception of the company is often determined by the behaviour of these employees.

Service providers perceive service as a process which contains elements of core delivery, service operation, personal attentiveness and interpersonal performance which are
managed differently in various industries. Customers on the other hand view service as an experience of life which consists of elements of core need, choice, and emotional content (Johns, 1999). These service elements are present in different service outputs and encounters and affect each individual’s experience differently. The factors critical to services include value (benefit at the expense of cost), service quality and interaction.

Service quality is a concept that has aroused considerable interest and debate in research. There are difficulties defining and measuring it with no overall consensus emerging on either (Wisniewski, 2001). While Eshghi et al. (2008) define service quality as the overall assessment of a service by the customers, Asubonteng et al. (1996) and Wisniewski and Donnelly (1996) define it as the extent to which a service meets customer’s needs or expectations. Lewis and Booms (1983) describe service quality “as a measure of how well the service level delivered matches customer expectations. Service is said to be quality when it consistently conforms to customer expectations. Parasuraman et al. (1985) argues that service quality is the measure of service delivered as against expected service performance.

2.2.1 Types of Services

Schmenner (1986 cited in Fitzsimmons and Fitzsimmons, 2001) develops a service process matrix and categorises service along two dimensions that significantly affect the character of the service delivery process. The vertical dimension measures the degree of labour intensity, which is defined as the ratio of labour cost to capital cost while the horizontal dimension measures the degree of customer interaction and customisation, which is a marketing variable that describes the ability of the customer to affect personally the nature
of the service delivered. The matrix indicates four types of services labelled as service factory, mass service, service shop and professional service.

Gronroos (2001) perceives services to be either high-touch or high-tech. High-touch services are mostly dependent on people in the service process producing the service, whereas high-tech services are predominantly based on the use of automated systems, information technology and other types of physical resources. Gronroos maintains that high-touch also includes physical resources and technology-based systems that have to be managed and integrated into the service process in a customer-oriented fashion (Gronroos, 2001). In this case, banking services include both high-tech and high-touch services. For example, high-tech services include Internet/Telephone/Short Messaging Service (SMS), ATM machines whereas high-touch services consist of instructions and personnel assistance in using the services.

2.2.2 Characteristics of Service

Johns (1999) argues that services are mostly described as ‘intangible’ and their output viewed as an activity rather than a tangible object, but also admits that some service outputs have some substantial tangible components like physical facilities, equipments and personnel. Gummesson (1994) posits that, a service design which consists of a service, service system and the service delivery process considers customers, staff, technology, the physical environment, and the consumption goods. The physical aspects are important for high quality service delivery.

Bateson (1985) outlines four unique characteristics of a service to be intangibility, heterogeneity, inseparability and perishability. Unlike a product where tangible cues exist
to enable consumers to evaluate the quality of the product, the quality of the service is ascertained by parameters that largely come under the domain of ‘experience’ and ‘credence’ properties and are as such difficult to measure and evaluate (Parasuraman et al 1985; Zeithaml and Bitner, 2003).

2.2.3 Banking Services

Basically, banking is a business that is registered to accept deposits from the public and make out loans. Technically, banks mobilise funds from the surplus units and channel it to the deficit units of the economy (Luckett, 1994). The objective of this fund channelling is to earn profit. This function makes banks one of the most important financial intermediaries in every economy and also assists Central Banks in achieving their monetary policies. Banks earn money in servicing beyond selling money. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

2.3 Concept of Service Quality

The concept of service quality originates from consumer behavior and confirmation/disconfirmation paradigm (Gronroos, 1992). The paradigm postulates that customers compare the quality of the product after usage to that of their expectations before usage (Swan and Comb, 1976), and indicate their satisfaction/dissatisfaction with
the products or services purchased (Woodruff et al., 1983). Literature maintains that customers evaluate service quality by comparing the service provider’s actual performance “perception” with what they think service performance would be ‘expectations’ in their service experience (Gronroos, 1982; Lehtinen and Lehtinen, 1982).

Service quality is defined as customer perception of how well a service meets or exceeds their expectations (Czepiel, 1990) or the degree of discrepancy between customers’ normative expectation for service and their perceptions of service performance (Parasuraman et al., 1985). Many practitioners define service quality as the difference between customer’s expectations for the service encounter and the perceptions of the service received (Munusamy et al., 2010). Customer expectation and perception are the two key ingredients in service quality. Oliver (1980) posits that customers judge quality as ‘low’ if performance (perception) does not meet their expectation and quality as ‘high’ when performance exceeds expectations.

2.3.1 Customers’ Expectation of Service Quality

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml et al., 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuraman et al., 1988). This is influenced by their personal needs, past experience, word-of-mouth and service provider’s communications. Literature explains expectation as predictions made by consumer about what is likely to happen from a transaction.
2.3.2 Customers’ Perception of Service Quality

Customers’ perception of performance is what they experienced (Parasuraman et al., 1988). Literature maintains that customers’ total perception of a service is based on their perception of the outcome and the process; where the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998). The customer’s perception of quality of service is based on the degree of agreement between expectations and experience (Kandampully, 1998).

The result of this comparison is perceived service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman et al., 1985, 1988). Parasuraman et al, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in banking operations.

The pivot to the concept of service quality is gap model, which stipulates that service quality is a function of the difference scores or gap between expectations and perceptions (P – E). The gap between expectation and performance can be positive (satisfactory), when performance exceeds expectations or negative (dissatisfaction), when performance falls short of expectations (Anderson, 1973). Service quality is low, if what is perceived is below expectation, and is high, if what is perceived meets or exceeds expectation. The result of this comparison is perceived service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman et al., 1985, 1988).
2.4 Service Quality Models

Several models have been identified in the literature for measuring service quality. Among the approaches or models are: expectancy-disconfirmation approach, performance-only approach, technical and functional dichotomy approach, service quality versus service satisfaction approach and attribute importance approach.

The expectancy-disconfirmation model focuses on identifying customer expectation versus what they actually experienced. It compares the service performance with the expectations of the customers, which is assessed after the service encounter (Oliver, 1980).

The performance-only approach assesses service quality by enquiring from the customers about their level of satisfaction with the various features following a service encounter (Babakus and Boller, 1992; Cronin & Taylor, 1994).

The technical and functional dichotomy approach identifies two service components that lead to customer satisfaction: technical quality of the product which is based on product characteristics such as durability, security, physical features; and functional quality which is concerned with the relationships between service provider and the customer such as courtesy, speed of delivery and helpfulness (Gronroos, 1984). Customers usually lack information on the technical aspects of a service, therefore rely on functional quality to form perceptions of service quality (Donabedian, 1980).

Service quality versus service satisfaction model mainly focuses on two service components that are interrelated: the transition-specific assessment which evaluates specific features of quality and the overall assessment which evaluates overall quality. This approach links perceived quality at the time of the service encounter or immediately after it and overall satisfaction with the service. The attribute importance model focuses on
the relative weight on the importance the consumer places on attributes found to be linked with service satisfaction (Gilbert et al., 2004).

Cronin and Taylor (1992) developed SERVPERF (service performance) which disregards the expectation and measured service quality perceptions by evaluating the customer’s overall feeling towards the service.

Among the models for measuring service quality, the most acknowledged and applied model in variety of industries is the SERVQUAL (service quality) model developed by Parasuraman et al. The model originally provided a list of ten determinants of service quality: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. Further studies merged correlated variables and reduced the determinants into five consolidated dimensions: tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuramanet al., 1988; Zeithaml et al., 1990). The SERVQUAL model assesses customer expectation and perceptions of service quality by capturing the gap between expectation and experience.

2.5 Measuring Service Quality using SERVQUAL Model

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev and Verma (2004) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck et al. (2002) admit that the SERVQUAL model remains as the most complete attempt to conceptualize and measure service quality. The model is extensive and widely used to measure service
quality in the literature. Therefore this study adopts the SERVQUAL dimensions to measure service quality in Merchant Bank Ghana Limited.

The SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance and empathy are the basis for service quality measurement (Parasuraman et al., 1988; Zeithaml et al., 1990).

2.5.1 Tangibles

The tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider (Fitzsimmons & Fitzsimmons, 2001). Davis et al. (2003) summarize tangibles as the physical evidence of the service.

2.5.2 Reliability

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.


2.5.3 Responsiveness

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails and exhibit professionalism will also create very positive perceptions of quality.

2.5.4 Assurance

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the server has the customer’s best interest at heart (Fitzsimmons & Fitzsimmons, 2001).

2.5.5 Empathy

According to Chase et al. (2001), empathy is the provision of caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approachability, sensitivity, and effort to understand the customer’s needs. Johnston (1997) describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

The SERVQUAL model identify a gap which maintains that satisfaction is related to the size and direction of disconfirmation of a person’s experience vis-à-vis his/her initial
expectations (Churchill & Surprenant, 1982; Parasuraman, Zeithaml & Berry, 1985; Smith & Houston, 1982).

### 2.6 Assessing Service Quality

Implementing and evaluating service quality is a very complex process, because of the intangible nature of service and the difficulty in measuring customers’ expectations and perception. Zeithaml and Bitner (1996) believe that content and delivery of a service are essential factors for evaluating service quality. While customers evaluate the quality of delivery, service providers determine the content of the service.

Edvardsson (1998) contends that the concept of service should be approached from the customer’s perspective. Because the customer’s total perception of the outcome is the ‘service’ and the customer outcome is created in a process where service is generated through that process. Customers’ involvement in the service process is necessary, since they are co-producer of service. The service process can be a delivery of service, interpersonal interaction, performance or customer’s experience of service.

### 2.7 Ensuring Customer Satisfaction and Retention

#### 2.7.1 Customer Satisfaction

Customer satisfaction is a widely used term in business to measure the kind of products and services provided by a company to meet its customer’s expectation. Customer satisfaction is believed to be the company’s key performance indicator (KPI), particularly when organizations compete for customers.
Literature establishes that customer satisfaction is a key to long-term business success (Zeithami et al., 1996). To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Reichheld, 1996; Gronroos, 2000; Tsoukatos, 2008). With banks, customer longevity is achieved through the delivery of high quality services (Berry et al., 1985; Anderson et al., 1994; Lassar et al., 2000) especially under unregulated and volatile financial market conditions (Colgate & Lang, 2001). Banks need to understand customers’ service requirements and how it impact on service delivery and customers’ attitudes (Gerrard & Cunningham, 2001; Beckett), for a small increase of customer satisfaction can to customer loyalty and retention (Bowen & Chen, 2001).

The ability of a bank to meet the expectations of customers determines the extent of satisfaction derived by customers. Beerli et al. (2004) describes customer satisfaction as the measure of the extent a bank fulfils the general expectations of a customer and how far and/or close does the existing bank come to the customer’s ideal bank in his mind. Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude (Levesque et al, 1996). According to Hansemark and Albinsson (2004), “satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire”. In order to maintain and increase purchases, the bank needs to provide value (high quality) to customers (Anderson & Jacobsen, 2000).
2.7.2 Customer Retention/Loyalty

The terms customer retention and customer loyalty mean the same (Zeithaml et al., 1996). Gremler and Brown (1996) define service loyalty as "as the degree to which a customer exhibits repeat purchase behaviour from a service provider, positive attitudinal disposition toward the provider, and ready to use the same provider when a need for the service arises". According to Hoyer and MacInnis (2001), customer retention is “the practice of working to satisfy customers with the intention of developing long-term relationships with them”. Zineldin (2000) defines retention as a commitment to continue to do business or exchange with a particular company on an ongoing basis.

According to Clark (2001), long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack”. Day (1994) contends that the identification and satisfaction of customer needs leads to improved customer retention. This will help the provider to formulate strategies and plans.

2.8 Impact of Service Quality on Customer Satisfaction

With the ever increasing competition in the marketplace resulting from trade liberalization and free economy model, it is imperative for banks to achieve customer longevity, through excellence service delivery (Lassar et al., 2000). Service quality is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization (Cronin, 2003). File and Prince (1992) argue that satisfied customers are comfortable repeating business with the firm and even recommend it to others. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee et al., 2008) and thus increase firm’s customer-base. Parallel to this, is the
study by Martins and Toledo (2000), which maintains that service quality increases market share by maintaining current customers and acquiring new ones. Krishnan et al (1999) establish that the cost of retaining existing customers by providing high quality products and services is significantly lower than the cost of winning new customers.

Literature establishes that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means the customers will recommend the bank to other people. As a consequence, the bank can be assured of repeat and stable customer base. Cohen et al. (2007) found that a loyal customer takes less of the company’s time during transactions and are less sensitive to price changes. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor.

2.9 Relationship of Satisfaction and Retention

Satisfaction enable a company to keep existing customers which costs substantially less to the company than acquiring new ones. Most customers leave a company because they feel they’re not satisfied with the service or product offering (Rust and Zahorik, 1993). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983).

Bowen and Chen (2001) opine that extremely customer satisfaction leads to customer retention/loyalty. Thus extremely satisfied customers are less prone to overtures from competition (Fornell, 1992). Similarly, Anton (1996) asserts that “satisfaction is positively
associated with repurchase intentions and the likelihood to recommend a product or service offering.

The above discussions indicate that satisfaction is a determinant of customer retention to service organizations like bank. An organization needs to ensure that customers are satisfied in order to enhance their repurchase decision. Rust and Zahorik (1993) conclude that numerous publications treat satisfaction as the necessary premise for customer retention.
CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter involves presenting the choice of method of collecting and analyzing data, from practical point of view, comparing relative advantages and disadvantages of other alternative method that may be more or less appropriate to the context of this study. This chapter presents research design, describes the research methods, sampling techniques and the instruments employed in the data gathering.

3.1 Research Design/Strategy

There are three main research strategies: qualitative, quantitative and mixed approach that can be adopted for a study. The decision to use any strategy depends on the nature of work, the objectives of the study, the level and nature of the research questions and the practical considerations related to the research environment among others (Shih, 1998). While quantitative is hard, objective and standardized, qualitative is soft, rich and deep (Corbetta, 2003). The mixed approach combines the two approaches together in a study (Neuman, 2007).

The study adopted quantitative method, because quantitative method allows explanation of a phenomenon by collecting numerical data that are analysed using mathematically based method, particularly statistics (Aliaga and Gunderson, 2002 cited in Muijs, 2004). The researcher used cross-sectional survey technique for data collection. Cross-sectional survey allows information to be collected from sampled customers from the customer base of Merchant Bank which is prohibitively expensive to study (Holton & Burnett, 1997). To
gather data for the study, the researcher employed questionnaire survey as the research design. The research strategy is consistent with past studies with similar aims. For example, Anderson and Sullivan (1993) conducted a large-scale survey to ascertain drivers of customer satisfaction. Nearly all the research reported earlier that studied drivers of service quality were survey based.

### 3.2 Population, Sample Size and Sampling Technique

In conducting a study, it is not possible, practical and sometimes expensive to gather data by considering entire population. Therefore smaller chunks of a unit sample are chosen to represent the relevant attributes of the whole of the units (Graziano and Raulin, 1997). There are four branches of Merchant Bank in Kumasi Metropolis. On the average about 720 customers visit the four branches of Merchant bank in the Kumasi Metropolis. Each participating customer was made to consent to the study before questionnaire was administered. The sample size was calculated with recourse to the deVaus proportion approach (deVaus, 2002). Being guided by the 2010 customer population survey for Merchant bank in the Kumasi Metropolis and the daily attendance for the year 2011 in the month of the survey.

\[ N = \frac{n}{1+N(e)^2} \]

- \( n = \text{Sample Size} \)
- \( N = \text{Sample Frame} \)
- \( e = \text{Confidence Level} \)

\( e = (0.04.....0.08) \) for this study 0.06 was chosen for the confidence interval level at 95%. Using the above formula a sample size of 200 was achieved and divided into four 50 was obtained as the sample size for each of the banks.
A convenient sampling technique was adopted by the researcher. The size of the sample depends on the kind of data analysis the researcher want to perform. Also, when the population is homogeneous small sample size is sufficient for the study (Neuman, 2007). According to Onwuegbuzie and Collins (2007 cited in Hesse-Biber, 2010), minimum sample size recommended for correlation analysis is 64 participants for one-tailed hypotheses and 82 participants for two-tailed hypotheses.

Table 3.1 Classification of Population and Sample Size

<table>
<thead>
<tr>
<th>RESPONDENTS OF MERCHANT BANK</th>
<th>POPULATION</th>
<th>SAMPLE SIZE (70%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Staff</td>
<td>28</td>
<td>20</td>
</tr>
<tr>
<td>Customers</td>
<td>143</td>
<td>100</td>
</tr>
<tr>
<td>Customer Service Unit of the bank</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>140</td>
</tr>
</tbody>
</table>

Source: Field work, July 2011

3.3 Data Collection Tools and Procedures

The study made use of primary and secondary data sources in order to gather relevant information for the study. The primary data were collected from the selected respondents of the bank understudy. The study employed mainly questionnaire in collecting the primary data and the analysis was substantially based on primary data. The secondary data which were collected from existing literature formed the literature review of this study. The sources of the secondary data included books, journals, articles obtained from the internet and KNUST library.
3.3.1 Questionnaire Design

For an easy understanding and reading, the questionnaire was designed into four parts. The first and second parts of the questionnaire sought information on customers’ expectations and performance of service quality delivery of the bank. The respondents were required to rate their expectations and performance of bank’s services on level of importance on a predefined five-point Likert Scale: 1 – Unimportant, 2 – Less Important, 3 – Important, 4 – Quite Important, and 5 – Very Important. The services of the Bank were assessed on the SERVQUAL variables: Tangibles, Assurance, Responsiveness, Empathy and Reliability, to determine the level of satisfaction derived from the services. The third part of the questionnaire required the respondent to rate their intentions to continue patronizing the bank’s service on a pre-defined five-point scale: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly Agree. The final part of the questionnaire sought information on demographic characteristics of the respondents. Structured questionnaire was used to gather relevant data for the study. All the items measuring service quality dimensions were standard questions developed by Parasuraman et al. (1988) to measure service performance. The items measuring customer retention were extracted from the literature.

3.3.2 Questionnaire Administration

The initial questionnaire developed were pilot tested to five respondents each at the four branches of the bank to verify that the questions were clear and not ambiguous, such that responses would be consistent with the purpose of the study. Few questions were reviewed as a result of non-response from the respondents of the pilot study. This was done to improve the reliability and validity of the questionnaire. The questionnaires were self-
administered on one-on-one basis by a representative at all the branches to customers present at the banking hall and transacting business with the Bank. The filled questionnaires were taken from the respondents on the same day by the researcher or reps at the other three branches.

3.4 Variable Measurements

3.4.1 Independent variables

The independent variables are the SERVQUAL dimensions: Tangibles, Responsiveness, Reliability, Assurance and Empathy developed by Parasuraman et al. (1988). These dimensions measure customer retention by taking into account the performance of the service and the expectations of customers on the service provided. Several varying number of items were developed to measure each dimension.

3.4.2 Dependent variable

Customer retention/loyalty is the dependent variable that the study measure with the independent variables. The customer retention is an indicator of customers being satisfied with the services rendered by the bank. Customer retention indicators include repeat business of the customers, referrals by the customers as well as the customers’ preference of the bank to others.
3.5 Conceptual Framework for the Study

The study investigates how service quality affects customer retention. Customer retention is a dependent variable which occurs when the services provided by Merchant Bank is rated by customers as high quality and satisfactory. The study postulates that the quality of the services provided by the Bank determines the retention rate of customers with the bank. Merchant Bank can ensure customer retention when service performance of the Bank exceeds customers’ expectation. To measure service performance and customer expectation of a service, SERVQUAL model was used. The SERVQUAL model is made up of five variables: tangibility, responsiveness, reliability, assurance and empathy. When service performance, also known as perception is higher than customers’ expectation of SERVQUAL variables, customers will be satisfied and Merchant Bank is likely to retain the customers. However, if service performance is lower than customers’ expectation of the service, customers become dissatisfied and they will switch to a competing bank which offers superior service. When a service provider has excellent physical facilities that are aesthetically appealing; insist on on-time service delivery which is free from errors; and knowledgeable employees who consider the customers as the company’s total well being will result in high quality service delivery which will lead to customer satisfaction. Notwithstanding, Merchant Bank will ensure customer retention on the ground that service performance is exceedingly higher than customers’ expectation rather than a mere satisfaction. By this customers will be committed to do business with Merchant Bank, repeat business, and recommend the Bank to friends and associates. A real customer retention is exhibited when the customer becomes an advocate for the organization without incentive, maintains or increases its purchases from the Bank as a result of exceptional services.
Fig. 3.1: The effect of service quality dimensions on customer satisfaction and retention

![Diagram showing SERVQUAL dimensions, service expectation, service perception, customer satisfaction, and customer retention.]

**Source:** Researcher’s own framework

### 3.6 Data Analysis

The study employed both descriptive and inferential tools in analyzing the data. The data collected was edited and coded. The coded data was then processed using Statistical Package for Social Sciences (SPSS).

### 3.7 Profile of Merchant Bank Ghana Limited

Merchant Bank (Ghana) Limited, is a limited liability company incorporated under the Companies Code of Ghana 1963 and licensed by the Central Bank to provide banking services to the public. Merchant Bank (Gh.) Ltd. was incorporated in June 1971 and was certified to commence business in December 1971. The Bank started providing banking service to the public in March 1972, thereby setting the pace for Merchant Banking generally in the country. The Bank provides advisory and financial services to a substantial and diversified client base, including Ghana government, corporations, financial institutions and high net worth individuals (www.business.everythingghana.com). Among the financial services provided by Merchant Bank include: Domestic and International
Banking Operations for Corporate Customers, Small & Medium Enterprises (SMEs) and, High Net-worth Individuals and Treasury Services (www.gipc.org.gh).

Currently, the branch network of Merchant Bank stands at 21 with plans underway to extend its services to the Northern and BrongAhafo regions of Ghana (www.merchant.com.gh).

3.7.1 Vision of Merchant Bank

Merchant Bank’s vision is to become the leading, the most influential and best performing financial services provider in Ghana by 2012 and one of the leading banks in West Africa by 2015

3.7.2 Mission of Merchant Bank

As a Universal Bank in Ghana, Merchant Bank is committed to providing quality financial products and services to its customers across our chosen market and maintaining our place as the leading and preferred financial institution in Ghana

3.7.3 Service Quality Practices of Merchant Bank

In order to ensure that the Bank’s services give its customers the maximum satisfaction, Merchant Bank maintains high ethical standards in all its internal and external relationships. This is guided by the principle that service quality of the Bank is determined by customers. The Bank exhibits professionalism, fairness and equity in all dealings. The Bank has in place customer service unit where all grievances are channeled for redress.

3.7.4 Customer Satisfaction Measures by Merchant Bank

Complaints within the customer service unit are instantly dealt with by the personnel in-charge. The ones beyond the personnel’s jurisdiction are forwarded via the internet to a
site where several customer care managers are hook to for immediate action. The Bank ensures that the banking hall is conducive to client, gives prompt services and communicate politely to customers when employees flaw. ATMs are constantly monitored to provide continuous service to customers at all times. The Bank’s philosophy is ‘total employee involvement’ in ensuring high quality service delivery. In view of this, the Bank convenes frequent meetings to share ideas and find solution to problems arising from the provision of services.
CHAPTER FOUR
DATA ANALYSIS, DISCUSSIONS AND PRESENTATION

4.0 Introduction

The chapter presents the result of the fieldwork conducted by the researcher. The result is mainly the responses of the questionnaire administered to the customers of Merchant Bank in the four branches in Kumasi. Statistical Package for Social Scientists (SPSS) version 16.0 was used to perform the analysis and Microsoft Excel 2007 was used to generate the chart to explain the results.

The questionnaire was administered to 200 customers of four branches of Merchant Bank in Kumasi. Out of the 200 questionnaire administered, 145 were obtained but 140 were valid for analysis while five were invalid as a result of improper and double responses. The valid questionnaires which formed the analysis yielded 70% response rate.

4.2 Demography of Respondents

There were a total of 64 respondents representing 45.7% were male and the remaining 76 respondents representing 54.3% were female. This is illustrated in figure 4.1 below.
Fig. 4.1: Gender of Respondents

Source: Field work, July 2011

The educational level of the sampled population ranged between BECE holders to Post-Graduate degree holders: 21% of respondents hold post graduate degrees, 11% hold first degrees, Higher National Diploma is held by 19%, Advance and Ordinary Level category make up 13% each, 12% are holders of Senior High School Certificate, 10% were Basic Education Certificate holders whilst the remaining 1% percent had not been to school or hold professional certificate in catering, sewing, mechanics and other forms of certificates as illustrated in figure 4.2.
It shows from figure 4.2 that majority of the respondents are well educated making a total of 89% of the total number of respondents.

The occupation of the respondents shows that 19.3% were Executives/Managers of organisations, 4.3% were Lecturers, 9.3% professionals of various trade, 8.6% were retired workers, 21.4% were student and 37.1% were traders/proprietors of businesses (see table 4.1). Apart from 8.6% of the respondents (retired) and are not actively working and do not visit the bank regularly, the rest constituting 91.4% are actively working and visit Merchant Bank regularly and can really give good assessment of the level of quality of the services delivered by Merchant Bank Limited to its customers. After all the quality of the services delivered by Merchant Bank can be measured on daily basis as the customer visit the bank and transact business with the bank.
Table 4.1: Occupation of Respondents

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive/Manager</td>
<td>27</td>
<td>19.3</td>
</tr>
<tr>
<td>Lecturer</td>
<td>6</td>
<td>4.3</td>
</tr>
<tr>
<td>Professional</td>
<td>13</td>
<td>9.3</td>
</tr>
<tr>
<td>Retired</td>
<td>12</td>
<td>8.6</td>
</tr>
<tr>
<td>Student</td>
<td>30</td>
<td>21.4</td>
</tr>
<tr>
<td>Trader/Proprietor</td>
<td>52</td>
<td>37.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Field work, July 2011

4.3 Service Quality Dimensions of Merchant Bank Ghana Limited

After reviewing the literature, a five service quality dimensions made up of twenty four (24) factor questionnaire was developed to measure service quality in Merchant. Each question was based on a 5-point weighted likert scale as shown below:

1 === Strongly less Important, 2 === Less important, 3 === Uncertain, 4 === Important 5 === Strongly Important

In order to measure the level of service quality delivery, the five dimensions: tangibles, empathy, responsiveness, reliability and assurance developed by Parasuraman et al (1988) was used. The performance of the services delivered was measured by the customers’ expectation and perception of the SERVQUAL dimensions, a descriptive statistics on the responds from the customers were used to undertake the needed measurements.

The quality gap according to Parasuraman et al (1988) is the difference between perception (P) and expectation (E). (Q= P-E).

When Q is positive it implies customers are satisfied and when negative dissatisfied
4.3.1 Tangibility Dimension

Tangibility deals with the appearance of physical facilities, equipment, appearance of personnel, and communication materials, descriptive statistics were taken based on the expectation and the perception of the customers of the bank.

Table 4.2: Descriptive Statistics on Tangibility Dimension

<table>
<thead>
<tr>
<th>Tangibility Expectation</th>
<th>Tangibility Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Mean</td>
</tr>
<tr>
<td>The bank should have modern looking equipment</td>
<td>4.74</td>
</tr>
<tr>
<td>The bank’s physical facilities should be visually appealing</td>
<td>4.61</td>
</tr>
<tr>
<td>The employees should be well dressed and neat-appearing</td>
<td>4.64</td>
</tr>
<tr>
<td>Materials associated with the service, such as booklet, cheque book and statements should be visually appealing</td>
<td>4.61</td>
</tr>
</tbody>
</table>

Average 4.650 Average 4.325 -1.27

Source: Field work July 2011

From Table 4.2, the average scores (mean) are so high in relation to the scale of measurement. This means that customers consider visually appealing physical facilities, efficient equipment and good-looking workers. Out of the items, customers are very much interested in the equipment used to deliver the services. With tangibles, the mean results of the items in Table 4.2 indicate that customers agree that Merchant Bank has modern-looking facilities to perform the banking services. Among the tangibles, the item ‘materials and equipment for service delivery are modern and efficient’ produced the highest mean.
This is consistent with the quality service practices of the Bank where ATMs are constantly checked for efficiency. The grand mean 4.33 is also on the high, indicating that customers agree that tangibles of Merchant Bank are modern, efficient and aesthetically appealing. Irrespective of the various means of the factors for both expectation and perception, mean score for the expectation were found to be relatively higher than its perception for each of the factors considered.

**Figure 4.3: Analysis of service dimension gap for tangibility**

![Tangibility Gap diagram](image)

**Source: Field work July 2011**

Clearly, it has been shown from Figure 4.3 that, in terms of tangibility, as the customers were expecting the bank to provide a service quality level of 4.650 representing 93%, the bank are rather providing a service quality level of 4.325 representing 86.5% with a gap of 0.325 (6.5%) lower than the expectation of the customers. This was in agreement with Rubinstein (2010), who found out that because corporate world is moving across borders,
tangibility of corporation has increase dramatically across all service delivery. This finding may be attributed to that fact since banks are in a competition for customers; items on tangibility were expected to be higher. However this was not so, since perception falls short of the expectation of the customers, which also can be attributed to the fact that, respondents were having a higher expectation thereby leaving it in such underscore for its perception on the tangibles.

4.3.2 Reliability Dimension

Reliability dimension of a corporate entity is the ability to perform the promised service dependably and accurately, in this study, the researcher deals with the promise of executing a task, solving customer’s problems and taking sincere interest in the problems solving and others.
Table 4.3: Descriptive Statistics on Reliability Dimension

<table>
<thead>
<tr>
<th>Reliability Expectation</th>
<th>Reliability Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Mean</td>
</tr>
<tr>
<td>When the bank promises to do something by a certain time, it does it</td>
<td>4.64</td>
</tr>
<tr>
<td>When a customer has a problem, the bank should show sincere interest in solving it</td>
<td>4.50</td>
</tr>
<tr>
<td>The bank should perform its service right the first time</td>
<td>4.48</td>
</tr>
<tr>
<td>The bank should provide its services at the time it promises to do so</td>
<td>4.46</td>
</tr>
<tr>
<td>The bank should keep its record accurately and free from errors</td>
<td>4.69</td>
</tr>
<tr>
<td>Average</td>
<td>4.554</td>
</tr>
</tbody>
</table>

**Source: Field work July 2011**

On the issue of reliability of the services delivered by Merchant Bank, five items were measured. The mean scores of the items in Table 4.3 for both expectation and perception indicate that the services of Merchant Bank are reliable. Customers are provided with the services as promised and when there are problems, the bank shows interest and the preparedness to deal with the problems customers are encountered with. Out of the five items measuring service reliability, item ‘the bank insists on accurate and error free records’ yielded highest score of 4.54 for its perception. This means that Merchant keeps proper records of transactions and provides as accurate as possible financial statements and
other data on transactions of its customers. Cumulatively, irrespective of the higher means for both expectation and perception, the cumulative mean score were 4.554 and 4.396 respectively.

**Figure 4.4: Analysis of service dimension gap for reliability**

![Reliability Gap Chart](image)

**Source: Field work July 2011**

As shown in Figure 4.4, as customers were expecting a service quality level of 4.554 (91.08%), the bank was rather delivering a service quality level of 4.396 (87.92%) with a service gap of 1.158 (3.16%) falling short of the expectations of the customers. This indicates that, service delivery was unsatisfactory to the customers in terms of service quality dimension on reliability. This finding is in total agreement with Hussar (2000) who stated that the increasing rate of technology growth, has affected the expectations of customers from their service providers thereby affecting service quality.
4.3.3 Responsiveness Dimension

Responsiveness is the willingness to help customers and provide prompt service and others such as making information available to customers and not appearing too busy to respond to request.

Table 4.4: Descriptive Statistics on Responsiveness Dimension

<table>
<thead>
<tr>
<th>Responsiveness Expectation</th>
<th>Responsiveness Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Mean</td>
</tr>
<tr>
<td>Employees should give prompt service</td>
<td>4.64</td>
</tr>
<tr>
<td>Employee should make information easily obtainable</td>
<td>4.56</td>
</tr>
<tr>
<td>Employees are always willing to help you</td>
<td>4.44</td>
</tr>
<tr>
<td>Employees should not be too busy to respond to your request</td>
<td>4.62</td>
</tr>
<tr>
<td>Average</td>
<td>4.565</td>
</tr>
</tbody>
</table>

Source: Field work July 2011

Evidently, all the mean score for the expectation and perception were recorded with a mean indicating 4.0, which shows the seriousness of which the company deals with its responsiveness dimension. Out of the four items, the item ‘employees give prompt service’ gave the highest mean score of 4.44 for its perception, however it was relatively lower than the expectation of the customers. This means that customers waiting time is minimal at the banking hall. The grand mean yielded 4.138 for its perception indicating that customers agree that Merchant is responsive to its services.
Figure 4.5: Analysis of service dimension gap for Responsiveness

By and large, the total service quality level of the responsiveness fails to meet the expectation of the customers of bank as well. As shown in Figure 4.5, as they were expecting a service quality level of 4.565 (91.30%), the bank was delivering a service quality level of 4.389 (87.78%) which falls short of 0.178 (3.56%) on the expectation of the customers and represents an unsatisfactory level of service delivery for the dimension for the descriptive analysis.

4.3.4 Assurance Dimension

Assurance Dimension is the knowledge and courtesy of employees and their ability to inspire trust and confidence.
Table 4.5: Descriptive Statistics on Assurance Dimension

<table>
<thead>
<tr>
<th>Assurance</th>
<th>Item</th>
<th>Mean</th>
<th>Std Dev</th>
<th>Assurance</th>
<th>Item</th>
<th>Mean</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation</td>
<td>The behavior of employees should instil confidence in customers</td>
<td>4.68</td>
<td>.513</td>
<td>Perception</td>
<td>The behavior of employees inspires confidence in customers</td>
<td>4.34</td>
<td>-0.34</td>
</tr>
<tr>
<td></td>
<td>Customers should feel safe in doing business with the bank</td>
<td>4.60</td>
<td>.492</td>
<td></td>
<td>Customers feel safe in transacting business with the bank</td>
<td>4.30</td>
<td>-0.3</td>
</tr>
<tr>
<td></td>
<td>Employees should be polite to you</td>
<td>4.66</td>
<td>.506</td>
<td></td>
<td>Employees are polite to you</td>
<td>4.29</td>
<td>-0.37</td>
</tr>
<tr>
<td></td>
<td>Employees should be knowledgeable to answer your questions</td>
<td>4.54</td>
<td>.555</td>
<td></td>
<td>Employees are knowledgeable to answer your questions</td>
<td>4.31</td>
<td>-0.23</td>
</tr>
<tr>
<td>Average</td>
<td>4.620</td>
<td></td>
<td></td>
<td>Average</td>
<td>4.310</td>
<td>-0.64</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field work July 2011

The descriptive statistics on the assurance shows that, the expectation of the customers as well as its perception was all recorded a mean far above 4.0, this show that customers agree that there is an assurance to transact banking business with Merchant Bank Ghana Limited. An item ‘the behavior of employees inspires confidence in customers’ yielded the highest mean score of 4.34 for the perception factor. Meaning employees of Merchant Bank exhibit professionalism in their dealings with customers, because they know their work. The grand mean score of 4.31 is also an indicator of customers having assurance in Merchant Bank.
On the gap analysis for satisfaction, respondents were expecting a service quality level of 4.62 (92.40%); they were of the opinion that, they were receiving a service quality of 4.31 (86.20%), a service quality gap of 0.310 (6.20%) lower than their expectation. This shows a general dissatisfaction on the assurance dimension.
4.3.5 Empathy Dimension

Empathy Dimension deals with the caring, individualized attention the firm provides to its customers.

Table 4.6: Descriptive Statistics on Empathy Dimension

<table>
<thead>
<tr>
<th>Empathy Expectation</th>
<th>Empathy Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Mean</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>The bank should give individuals attention</td>
<td>4.48</td>
</tr>
<tr>
<td>The employees should offer customers personal attention</td>
<td>4.53</td>
</tr>
<tr>
<td>Banking hours should be convenient to all customers</td>
<td>4.40</td>
</tr>
<tr>
<td>Employees should understand the specific needs of customers</td>
<td>4.44</td>
</tr>
<tr>
<td>The bank should have customers’ best interest at heart</td>
<td>4.31</td>
</tr>
<tr>
<td>The bank should have convenient branch locations</td>
<td>4.34</td>
</tr>
<tr>
<td>It is very easy to get in and out of the bank quickly</td>
<td>4.47</td>
</tr>
<tr>
<td>Average</td>
<td>4.424</td>
</tr>
</tbody>
</table>

Source: Field work July 2011

For empathy dimension, seven items were used. Generally, the results shows a higher mean score for perception and expectation which indicate that customers are treated as ‘king’. Merchant Bank understands the needs of its customers and tries all effort to give equal attention to all customers without any partiality as shown by the item ‘employees offer customers personal service’ with the highest mean score of 4.39 for its perception.
By aggregation, the grand mean 4.24 also confirms that customers agree that Merchant Bank has its customers at heart.

**Figure 4.7: Analysis of service dimension gap for Empathy**

![Empathy Gap Chart]

Source: Field work July 2011

As indicated in Figure 4.7, as customers were expecting a service quality level of 4.424 (88.48%), they were rather giving a service quality level of 4.243 (84.86%), falling short of 0.181 (3.62%) of their expectations.

**4.4 Comparison of Overall Service Delivery Gaps of Service Quality**

To obtain one of the objectives for the study, it was the need to find the service delivery gaps of the both the expectations and the perceptions of the respondents in the bank in order to established the trend of the gap analysis for each of the service quality dimensions.
The service delivery gaps for the perception and expectation of service delivery among the dimensions were somehow significant by the use of the pictorial representation but such significance can only be established with a statistical method. As shown in Figure 4.8, the gap for tangibility, reliability responsiveness, assurance and empathy were insignificant since all dimensions were having a perception mean value more than an average of 4.0. This performance of the service quality by the measuring of the perception indicates the seriousness of which the bank attached to its service delivery to be able to compete keenly in the market for expansion of customers which agrees with Beerli et al. (2004) which describes customer satisfaction as the measure of the extent a bank fulfils the general expectations of a customer and how far and/or close does the existing bank come to the customer’s ideal bank in his mind.
Table 4.7: Summary of Correlation scores by ranking order of Expectation and Perception

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Respondents Expectation</th>
<th>Respondents Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tangibility</td>
<td>Reliability</td>
</tr>
<tr>
<td>2</td>
<td>Assurance</td>
<td>Responsiveness</td>
</tr>
<tr>
<td>3</td>
<td>Responsiveness</td>
<td>Tangibility</td>
</tr>
<tr>
<td>4</td>
<td>Reliability</td>
<td>Assurance</td>
</tr>
<tr>
<td>5</td>
<td>Empathy</td>
<td>Empathy</td>
</tr>
</tbody>
</table>

Source: Field work July 2011

This result shows that, the customers’ expectation is in contradiction to existing literature such as Law et al (2004), which found out that the customers want to have their expectations in the area of reliability, responsiveness, assurance and empathy in ranking order. However, the perception of the customers’ is hugely found to be following the existing literature. This indicates that, the service provision of the bank to the customers is based solely on a proven record of service quality delivery by scholars Crosby (1979).

Customers of the bank tends to rank their expectation for tangibility of service first and the last being empathy. However, they are rather giving reliability first and empathy last. This trend of ranking is found to be very encouraging since the bank is performing and delivering service quality in a ranking expected by most scholars in the field of service quality management and delivery.
4.5 Paired Sample Test

Paired sample test is found to ascertain the difference that exists between expectation and perception of the service quality dimension and to answer the hypothesis:

$H_0$: There is no difference between the average expectation and perception of service quality dimensions.

$H_1$: There is difference between the average expectation and perception of service quality dimensions.

<table>
<thead>
<tr>
<th>A pair of factors between Expectation and Perception</th>
<th>Paired Differences</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation Factor</td>
<td>Perception Factor</td>
<td>Mean Diff (ABS)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>Tangibility</td>
<td>.325</td>
</tr>
<tr>
<td>Reliability</td>
<td>Reliability</td>
<td>.158</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Responsiveness</td>
<td>.178</td>
</tr>
<tr>
<td>Assurance</td>
<td>Assurance</td>
<td>.310</td>
</tr>
<tr>
<td>Empathy</td>
<td>Empathy</td>
<td>.181</td>
</tr>
</tbody>
</table>

Source: Field work July 2011

Respondents had nearly equal levels of satisfaction in overall service quality delivery due to the fact that, even though all the expectations were higher than their perception. However, all the associated perceptions were having values of more 4.0 indicating a better service delivery for the dimensions. Three pairings were not significantly scored; this implies that there were no significant differences between the paired factors, indicating that, their level of service delivery were similar for both expectation and perception. Irrespective of the three paired tests received a non-different score, 2 SERVQUAL dimensions received a significant score: that was tangibility and Assurance which meant
that customers had a significant difference perception in the tangibility and assurance dimensions from the perception of their services. Clearly as shown earlier, it is found that, there exist differences in these two dimensions among the service delivery. Therefore these 2 factors will be a critical point for service managers in the bank because it is the differentiation between expectation and perception used for the study. These three (3) dimensions which meet the expectations of the customers conforms to Asubonteng et al. (1996), Wisniewski and Donnelly (1996) who define it as the extent to which a service meets customer’s needs or expectations as well as Lewis and Booms (1983) who describe service quality “as a measure of how well the service level delivered matches customer expectations. Service is said to be quality when it consistently conforms to customer expectations which was agreed by Parasuraman et al. (1985).
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0  Introduction
This chapter gives a summary of key findings of the study presented according to the objectives of the study. Conclusions are drawn from the findings and recommendations are given to help improve the quality of the services delivered by Merchant Bank Ghana Limited.

5.1  Summary of Key Findings

5.1.1  Measure of Service Performance
Service performance is based on the services received or experienced by a customer, in this study, the study of perceptions service dimensions were used to measure the service quality delivery of Merchant Bank, hence the performance of the bank. Evidently, it was found that, all the service quality dimension factors used, had a mean score beyond 4.0 (80.00%) indicating a higher performance comparative to the scale of measurement.

Looking at the factors measuring tangibility, the highest mean score was 4.38 representing the factor ‘materials and equipment for service delivery are modern and efficient’ and the least mean score was 4.30 representing the factor ‘the bank's physical facilities is visually appealing’.

The five factors used to measure reliability all gave average score more than 4.0 and it is also on the high side of the scale of measurement. However, the item ‘employees give prompt service’ gave the highest average score of 4.44 while the least average score 4.33 was the item ‘employees have the will to help you’

Out of the four factors used to measure assurance, the factor ‘the behaviour of employees inspires confidence in customers’ yielded the highest mean score of 4.34 while the least
average score 4.29 was an item ‘employees are polite to you’. The average scores of all the factors were more than 4.0, making it high and agree by the customers that the Bank gives assurance to customers.

The seven factors used to measure ‘empathy’ gave average score of more than 4.0. Additionally, the highest average score of 4.39 was given by the factor ‘employees offer customers personal service’ while the least average score 4.11 was given by an item ‘the bank is conveniently located’.

5.1.2 Level of SERVQUAL Dimensions mostly utilized by Merchant Bank

Ranking of perceived service quality dimensions show the most utilized service quality dimension of the bank, clearly it was found that, Merchant Bank is excelling in terms of performance, the factors of the dimensions were aggregated and the grand mean score computed. By comparing the responses of the customers to the service delivered, the grand average scores established that the most utilize dimension of Merchant Bank is the reliability which had the highest mean score of 4.4 relative to the rest of the servqual dimensions. Empathy which measures care of customers yielded the least average grand score. This means that the employees need to improve on customer relation.

5.1.3 Measure of Customer Expectations of Banking Services

The expectations of customers on factors measuring service tangibility yielded various average scores. Out of the items, customers are very much interested in the efficiency and effectiveness of the equipment used to deliver the services with the highest average score 4.74. With regards to service reliability, the five items measured gave out high average
scores. However, customers regard accurate and error free record keeping with highest mean score of 4.69.

5.1.4 Measure of Customer Expectation on Responsiveness

The measure of customers’ expectation on service responsiveness yielded high average scores for each item. But the result established that customers expect Merchant Bank to react timely towards their needs, so that they do not waste time unnecessarily with the highest score of 4.64.

5.1.5 Measure of Customer Expectation on Assurance

With the service ‘assurance’, four items were measured. The highest average score (4.68) of the item expect that ‘the behaviour of employees inspires confidence in customers. Merchant Bank should make sure there is privacy of data and that data is not shared while transactions and credit are also securely held.

Customers’ expectation on service empathy measures the relationship and interactions between the Bank and the customers. The results indicate that customers expect Merchant Bank to understand individual needs, since they may not be same and treat each as such. This yielded the highest score of 4.53.

5.1.5 Descriptive Statistics on Expectation and Perception

Even though, descriptive statistics show that, the expectation of the customers exceeded the perception or performance of the services delivered by Merchant Bank in terms of reliability, responsiveness and empathy. However, statistically using the Z test, there were no significant differences among these service delivery dimensions. Nevertheless, assurance and tangibility recorded such significant difference among the expectation and perception.
To measure the level of customer satisfaction, the expectation and perception of the customers on the banking services provided by Merchant Bank Ghana Limited were compared. Z-test analysis was computed at 95% confidence level to ascertain whether there were differences between customer expectation and perception of banking services.

5.1.6 Summary Correlation of Quality Dimensions with Service Quality

At 95% confidence level, the mean values and the Z-test indicated that there were significant no differences between what the customers expected and what they perceived of the services rendered by Merchant Bank Ghana Limited on three of the five dimensions. Even though, descriptive statistics show that, the expectation of the customers exceeded the perception or performance of the services delivered by Merchant Bank in terms of reliability, responsiveness and empathy. However, statistically using the Z test, there were no significant differences among these service delivery dimensions. Nevertheless, assurance and tangibility recorded such significant difference among the expectation and perception.

5.2 Conclusions

The study assessed the level of quality service delivery and its effect on customer satisfaction at merchant banks in Kumasi. Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by Merchant Bank Ghana Limited established that the bank services are relatively high. All items measuring the service quality dimensions gave average score more than 4.0. By comparing the average scores to the scale of measurement, service performance is agreed by customers to be high. The services are reliable, employees behaviour response confidence in customers, the bank’s physical facilities are attractive, equipment for service
operations are efficient, and customers are given equal attention. Notwithstanding the high average scores, the level of service performance varies from one dimension to the other. Among the dimensions, reliability ranked first as the highest performance of the banking services. By this, Merchant Bank is consistent in the delivery of banking services as promised at every time and all time trying to be as accurate as possible with less error in record keeping.

Despise the high average scores of service performance, the expectations of the customers on banking services also yielded high average scores beyond 4.0 for each of the items measuring the SERVQUAL dimensions. But considering the items in aggregation, varied scores were achieved with tangibility yielding the highest grand mean score. Customers expect the Bank to focus on tangible factors like computerization, ATMs among others to attract customers.

By comparing the average scores of the respondents regarding the performance and expectation of customers of the banking services provided by Merchant Bank Ghana Limited, customer expectation responses yielded higher scores than the performance of the services provided by Merchant Bank. The average scores of customers’ expectations exceeded that of the perception of the SERVQUAL dimensions. It can be concluded from the analysis that customers are not satisfied with the services of the Bank. However the differences between the scores are not much significant, because percentage performance relative to expectation ranges from 90% to 96%. With a little effort banking services of Merchant Bank can be at par with customers’ expectations. To ensure customer retention, Merchant Bank needs to revise its quality strategy giving particular attention to the expectations of the customers, improve all the SERVQUAL dimensions to exceed what the customers expect. By this, there will be a guarantee to retain the customers.
5.3 Recommendations

Based on the analysis and the findings, the following are recommended to help improve service performance so that SERVQUAL dimensions measuring customer perception will exceed the expectations of the customers.

5.3.1 Regular Assessment of Service Delivery by Customers

By enquiring from prospective customers the level of satisfaction on the SERVQUAL dimensions of the banking services, Merchant Bank will be informed about the area that require improvement to enhance service performance. It will also inform the Bank areas that have been given less attention, so that decision will be made to upgrade those areas.

5.3.2 Service Quality Dimension Improvement

It is recommended that since the service quality dimensions did not meet the customer’s expectation; certain service quality dimensions needs a pragmatic effort in the bank to ensure its improvement. Service dimensions like tangibility and assurance, a pragmatic effort is needed to ensure an improvement in these dimensions will help in the overall service quality and a better customer service delivery in the bank.

5.3.2.1 Much attention be given to Tangibility and Assurance dimensions

The result of the findings established that Merchant Bank has not been given much attention to Tangibility and Assurance. Merchant Bank needs to revisit customer
assurance; check on the general behaviour of its employees and their knowledge level to answer questions of customers, in order to identify the flaws and address them. However, on the tangibility, the significance of the gap might be due to high expectation rankings of customers, but management should keep an eye on the efficiency of the machines used such as the tracking of the intranet used for transactions.

5.3.3 Improve overall service delivery

A comparison between expectation and perception indicate a gap. Thus, customer expectations scores are higher than the scores of customer perceptions. Merchant Bank is required by this revelation to consider repackaging and redesigning of its service operations to match up with customer expectation. This can be done by finding out from customers what they expect from the Bank and provide accordingly. By this customers will be compelled by virtue of superior service to stay than switching to a competitor.

5.3.4 Consideration to individual items of each dimension

Studies have severally been conducted empirically and have approved the reliability of the items measuring SERVQUAL parameters in the service industry. The results of the parameters are determined by the score of the items; when the items are scored high, the score of the parameters will also be high. This means that when Merchant give each items explained in the chapter four the necessary attention, it is likely that overall performance can be enhanced.
5.3.5 Area for further studies

Future researchers are hereby called upon to conduct a research to measure the service quality delivery of the various banks of the same level, to ascertain the extent of service quality delivery among the commercial banks in Ghana.
REFERENCES


