SERVICE QUALITY AND RURAL BANK CUSTOMER SATISFACTION IN ADAMAWA STATE, NIGERIAN.

Haruna Isa Mohammad
Department of Management Technology, School of Management and Information Technology Modibbo Adama University of Technology, Yola.
Adamawa state Nigeria
Correspondent: haruisa@yahoo.com

Kabiru Musa Yakubu

Department of Banking and Finance, School of Management and Information Technology Modibbo Adama University of Technology, Yola.

Faiza. A. Bawuro

Department of Management Technology, School of Management and Information Technology Modibbo Adama University of Technology, Yola.

Badiya Yusuf Magaji

Department of Management Technology, School of Management and Information Technology Modibbo Adama University of Technology, Yola.

ABSTRACT

Rural Bank customers are always placed in a disadvantage side of service delivery considering availability of some of the services them. What defines customer satisfaction is always left for a customer to reveal. This study tried to asses' rural customer satisfaction using SERVQUAL model, the research used 417 sample size. The research work used correlational and regression analysis, the result revealed that customers are satisfied with Tangibles, Reliability, Responsiveness, and Assurance while customers are not significantly satisfied with empathy. The research work recommended that even though the four construct appeared positively significant, banks should tried to enhance their services for stronger satisfaction. Furthermore, the research recommended that banks should overhaul their approaches of emphathy because it appeared to have no significant relationship with customer satisfaction.

KEYWORDS: Service Quality, Rural Bank Customer, Satisfaction

1.0   INTRODUCTION

Rural bank customers have their own unique attributes, which have to be taken into consideration by banks that are desirous of doing business in such areas. For instance, most rural households do not have access to agricultural finance that are affordable. In rural areas, most small farmers live in remote areas where banking services are limited and production risks are high. Several studies have been conducted to examine the relationship between service quality and rural bank customer satisfaction [for example, Kanyurhi, (2013); Adeleke, (2013); Abaweira, Dwomoh,Owusu,Pinkrah,and Antwis (2014) and Ingavale, (2014)].

There is no doubt that the goodwill and trust of the customers have made the banking industry a pillar of strength in the society, and the future growth of the banking industry and its profitability depends on customer's satisfaction. The banking industry is a customer oriented service industry. There is now a paradigm shift in the market power from banks to their customers. Effectiveness and efficiency became keywords of the success of banking operation and proper functioning particularly in respect of providing services to the customers (Ahmed, 2011). Service quality is a dynamic interactive process which needs improvement on continuous basis. The advancement of information technology and communication system has reduced the whole world to a global village.

The dominant features of the Nigerian banking industry include high level competition, product innovation, offering of incentives, deployment of new distribution platforms and increasing use of technology in order to satisfy customers (Mohammad, 2015). However, the Nigerian banking industry is also faced with problems such as congestion of banking halls, faulty equipment, long queues in the banking halls, pressure selling, among others (Ogunnaike & Olaleke, 2010; (Adeoye & Lawanson, 2012) and (Mohammad, 2015). Rural banks are not immune from these problems. In fact, Adeleke (2013) contended that most banks only establish branches in rural areas just to meet up with the regulatory requirements of the federal government. Therefore, providers of rural banking services need to take advantage of these developments in information and telecommunication technologies so as to reduce to the barest minimum, the bottlenecks involved in the provision of high quality services to the areas. There is therefore the need for banks to craft specific strategies aimed at improving service quality and consequently enhance satisfaction with their services by rural customers. Furthermore, most of the studies conducted on bank customer satisfaction dealt with conventional commercial banks. Though Adeleke (2013) studied rural bank customer satisfaction, he did not use the conventional SERVQUAL construct and his study was limited to Oyo State. Based on the foregoing, this study will examine rural bank customer satisfaction using the conventional SERVQUAL tool with a focus on Adamawa State, North east Nigeria.

1.1   OBJECTIVE OF THE STUDY

The major objective of this study is to examine the relationship between service quality and rural bank customer satisfaction. The specific objectives include:

1, To examine the relationship between Tangibles and rural bank customer satisfaction in Adamawa state.

2. To assess the relationship between Reliability and rural bank customer satisfaction in Adamawaa state

3. To examine the relationship between responsiveness and rural bank customer satisfaction in Adamawa state

4. To assess the relation between Assurance and rural bank customer satisfaction in Adamawa state

5. To examine the relationship Empathy and rural customer satisfaction in Adamawa state

2.0   LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Quality has been defined as the consumer's overall impression of the relative inferiority or superiority of an organisation and the services it provides (Zeithaml, et al, 1990). Lewis & Booms (1983)

define service quality as a measure of how well the service level meets the expectations of the customer. Parasuraman, Zeithaml & Berry (1988) define service quality as a consumer attitude reflecting the perceived overall superiority and excellence in the process and outcome of a service provider. Perceived service quality is an attitude – a consumer judgement on the overall service. Kotler & Clarke (1985) define satisfaction as a state felt by a person who has experience performance or an outcome that fulfil or her expectation.

Customer satisfaction is the phrase commonly used to encapsulate the phenomenon that customers use to search for different companies and stay with those that fulfil their needs best (Hill & Allen, 2007). Customer satisfaction occurs when customers' expectations are met, or exceeded, and this is highly dependent on the fulfilment of expectations (Anderson & Fornell, 1994). Customer satisfaction as a business strategy also leads to repeated purchase, which will in turn result in customer loyalty and customer retention. Satisfied Customers stay with the company longer, strengthen their relationship with the company, show less price sensitivity and recommend the company's products or services to their acquaintances through a positive word of mouth.

Based on the proposition that service quality is the gap between customer expectations and performance perceptions, Parasuraman, Zeithaml & Berry (1988) introduced the SERVQUAL scale. SERVQUAL has two parts with 22 items divided into five dimensions namely Tangible, reliability, responsiveness, assurance and empathy. In order to examine the relationship between service quality and rural bank customer satisfaction in Adamawa State, Nigeria, hypothesis will be developed on each of the dimensions or constructs of SERVQUAL.

a.   **Tangibles**

Tangibles refers to look and feel of materials, physical facilities and equipment as well as the appearance of the personnel (Parasuraman et al, 1985). Tangibles encompass the appearance of buildings, equipment, and staff. These can broadly be referred to as modern equipment, visually appealing facilities, employees who are and professional looking and physically appealing materials associated with the service. Some empirical studies have been carried out on service quality and bank customer satisfaction. Brahmbhatt and Panelia (2008) in their research article on 'An Assessment of Service Quality in Banks' found that public sector banks, private sector banks and foreign banks all perform well in tangibles. This is because in all five dimensions tangibility has less gap score. Adeleke (2013) in a study measuring service quality of rural banks in Oyo State Nigeria established that staff and facility service quality has significant impact on the sustainability of the rural banks. Thus the relationship between tangibles and bank customer satisfaction has been established.

$H_{01:}$ There is no significant relationship between tangibles and rural bank customer satisfaction.

b.   **Reliability**

Reliability may be defined as the ability to perform the service dependably and accurately as promised (Parasuraman et al, 1985). It embodied the degree to which the knowledge, skills learned and services are offered accurately and on timely manner. Elements of reliability include; providing service as promised, dependability in handling customers' service problems, performing services right the first time, providing services at the promised time and maintaining error-free records (Kotler & Keller, 2007). In a study of China's retail banking sector, Zhou (2004) discovered that reliability was the most important dimension of service quality. In a similar study on ethnicity and customer satisfaction in financial services sector, Lopez, Hart and Rampersad (2007) found that service quality was the key determinant of customer

satisfaction and reliability was the most important dimension of service quality. Saghier and Nathan (2013) found that in the Egyptian banking services, customers' perception is highest in the reliability area. Therefore, the relationship between reliability and bank customer satisfaction has been well established.

$H_{02:}$ There is no significant relationship between reliability and rural bank customer satisfaction.

c.   **Responsiveness**

Responsiveness refers to consistently providing the right solutions in a timely fashion, in a manner that holds value for the customer (Parasuraman et al, (1985). It is the willingness to provide prompt service and help customers. It is also the ability to respond effectively in difficult situations. Responsiveness entails keeping customers informed as to when services will be performed, prompt service to customers, willingness to help customers and respond to their requests (Kotler and Keller, 2007). In an empirical study about customer satisfaction with services of a micro finance institution in Togo, Kanyurhi (2013) found that responsiveness remains the most important dimension in microfinance sector. Similarly, Adeleke (2013) in a study measuring service quality of rural banks in Oyo State, Nigeria established that staff and facility service quality has significant impact on financial sustainability of the rural banks and loan processing cycle time affects the bank coverage ability in the rural areas. Therefore, the relationship between responsiveness and rural bank customer satisfaction has been established.

$H_{03:}$ There is no significant relationship between responsiveness and rural bank customer satisfaction.

d.   **Assurance**

Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence (Parasuraman et al, 1985). It entails the knowledge and courtesy of employees and their ability to his convey trust and confidence. Assurance broadly covers; making customers feel safe in their transactions, employees who are always courteous and employees who have the knowledge to answer customer questions. Shanka (2012) in a study of service quality, loyalty and bank customer satisfaction in Ethiopian banking sector, revealed that banks are good in tangibility, reliability and assurance dimensions. Saghier and Nathan (2013) found that customer satisfaction in the Egyptian banking services is significantly affected by reliability, empathy, assurance and responsiveness while tangibility does not have any significant impact on customer satisfaction. Thus, the relationship between assurance and bank customer satisfaction has been established.

$H_{04:}$ There is no significant relationship between assurance and rural bank customer satisfaction.
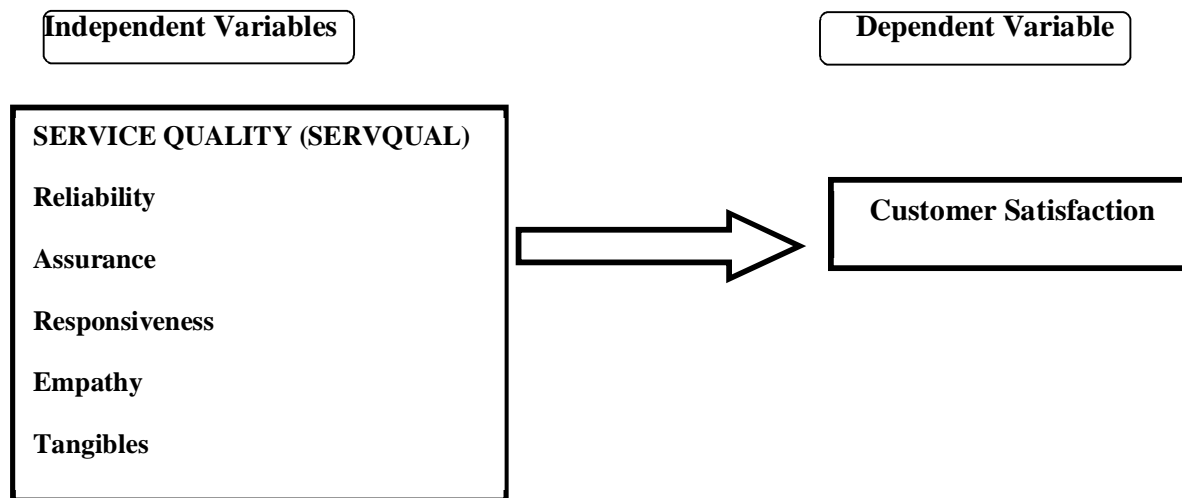
e.   **Empathy**

Empathy could be conceptualised as the caring, personalised attention being provided by the company and its employees (Parasuraman et al, 1985). It means the attention and care that the institution may offer to customers as well as convenient operating hours. Elements of empathy include: giving customers individual attention, employees who deal with customers in a caring manner, having the customers' best interests at heart. It also encompasses employees who understand the needs of their customers and convenient business hours. Santhiyavalli (2011) in a research paper on customers' perception of service quality of State Bank of India found that empathy has the maximum average score among other four dimensions. However, Shanka (2012) found that banks score very low in the dimension of empathy. Therefore, the relationship between empathy and bank customer satisfaction has been established.

$H_{05:}$ There is no significant relationship between empathy and rural bank customer satisfaction.

2.1   THEORETICAL FRAMEWORK

Various models have been developed for measuring perceptions of service quality (Parasuraman et al, 1985, 1988 and Gronroos, 1983). The SERVQUAL model of Parasuraman et al, (1988) proposed a five-dimensional construct of perceived service quality. These are reliability, responsiveness, assurance, empathy and tangibles. Consequently, the framework of this study is illustrated as follows:

Source : Modified from Parasuraman et al, (1988)

3.0   METHODOLOGY OF THE STUDY

This study adopts the survey method of research and descriptive research design. Primary data were obtained through the administration of questionnaire to bank customers in rural areas of Adamawa State, North east Nigeria. .

3.1 Population. The population of the research work consist of all rural customers of money deposit banks in Adamawa state. According to Department of banking and finance Modibbo Adama University of technology, Yola. The total population of rural deposit money banks in Adamawa state is 150,000.

3.2 Sample techniques and sampling sample size. The study used cluster random sampling techniques because the population is divided into three senatorial districts (Northern, southern and central districts). Using Yemenis formular (1967), the sample size arrived at is 399, but to avoid issue of skeletally filled questionnaires and unreturned, the researchers distributed 450 questionnaires and 417 were used.

formulae of Yamane is expressed as:

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

Where:

n= required sample size

N = Population

e= Significance level

Substituting, $n = \frac{150000}{1 + 150000(0.05)^2} = 399$

3.3 Source of data. The research obtained primary data from customers of rural deposit banks in Adamawa state. For easy and accuracy search, the state was divided into three senatorial districts (Northern, Southern and Central senatorial districts). Research assistants were recruited to for data collection. The questionnaire was adapted from Parasuraman et al (1991) with modification to fit the industry and the environment. .

4.0   RESULTS AND DISCUSSIONS

Table 1: Reliability Values for Service quality constructs and satisfaction

Construct	Reliability
Tangible (TNG)	0.702
Reliability (REL)	0.765
Responsiveness (RES)	0.740
Assurance (ASS)	0.602
Empathy (EMP)	0.712
Satisfaction	0.651

Source: Field Survey, 2016.

Table 2 shows the reliability values of the study. Bagozzi and yi (1988) indicated that the minimum cronbach Alpha is 0.60 while Gilford (1965) stated that 0.70 cronbach Alpha indicate a high level of reliability and 0.35 indicates a low value. Therefore, looking at table one, the reliability values are good.

Table 2: Correlations

	SAT	TNG	REL	RES	ASS	EMP
SAT	1					
TNG	0.318**					
REL	0.408**	0.406**				
RES	0.409**	0.313**	0.535**			
ASS	0.338**	0.279**	0.358**	0.375**		
EMP	0.292**	0.238**	0.408**	0.439**	0.307**	
Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000
N	417	417	417	417	417	417

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Field survey 2016.

The correlation shows a weak correlation among the variable because none has correlation up to 0.5. The closer the correlation to one the stronger the correlation.

Analysis of Combined Effect

Table 3: Model Summary^b and ANOVA^b Statistics

Model 1	R	R Square	Adjusted R Square	Sum of Squares	Mean Square	F	Sig.
Summary	0.509^a	0.259	0.250				
Regression				116.625	23.325	28.742	0.000^a
Residual				333.541	0.812		
Total				**450.165**			

a. Predictors: (Constant), EMP, TNG, ASS, RES, REL
b. Dependent Variable: SAT

Source: Field survey 2016

Table 4: Standard Coefficients Result of the Combined Effect of Variables ^{a}

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.015	.257		3.954	.000
	TNG	.179	.064	.132	2.784	.006
	REL	.216	.067	.174	3.210	.001
	RES	.217	.060	.193	3.594	.000
	ASS	.133	.042	.149	3.128	.002
	EMP	.054	.045	.059	1.204	.229

a. Dependent Variable: SAT

Source:Field survey 2016

The variables employed in multiple regression are SAT as dependent variable and TNG, REL, RES ASS, and EMP as independent variable in testing the hypothesis

$$\hat{Y} = a + b_1X_1 + b_2X_2 + b_3X_3, \qquad where$$

$\hat{Y}$ is the dependent variable, a is the intercept.

X_1, X_2, X_3 etc. are the independent variables and b1, b2, b3 etc are the coefficient of the independent variables.

TNG = Tangible

REL = Reliability

RES = Responsiveness

ASS = Assurance

EMP = Empathy

The regression model is therefore:

$$ST = a + \beta_1 TNG + \beta_2 REL + \beta_3 RES + \beta_4 ASS + \beta_5 EMP$$

$$\hat{Y} = 1.015 + 0.179\text{TNG} - 0.216\text{REL} + 0.217\text{RES} + 0.133\text{ASS} + 0.054\text{EMP}$$

The data revealed a good fit for the model with F value of 28.742 at significant level of 0.000 which is < 0.05. The result also, revealed no issue of multicolloniarity . The result of the combine effect revealed that rural customers are satisfied with tangibles, reliability, responsiveness and assurance with values of 0.006,0.001, 0.00 and 0.002 respectively which is <0.05 while emphathy appeared not significant with value of 0.229 which is > 0.05. Therefore the null hypotheses 1, 2, 3 and 4 are rejected and the alternate hypotheses accepted while null hypothesis 5 is accepted, this can be seen in table 4.

The findings revealed rural customer satisfaction will increase with tangibles at 0.179 when other variables are held constant. The result of this research showing tangibles as significant is in line with research of Brahmbatt and Panelia (2008) and also Adeleke (2013) established a positive relationship between staff and facility service. The result of reliability in this research is not far from the results of Zhou (2014) and Saghier and Nathan (2013) all in their various researches established a significant relationship between bank customer's satisfaction and reliability. However, what is different, is reliability in this research is not the strongest driver unlike their findings. Furthermore, for reliability the result revealed that customer satisfaction will increase with by 0.217 when all other factors are held constant. Therefore, the null hypothesis that state there is no significant relationship between tangibles and rural bank customer satisfaction. Is rejected. The findings on responsiveness is in line with result of Kanyaurhi(20130, that responsiveness is a strong dimension in customer satisfaction with bank services. The research further revealed that with responsiveness customer satisfaction will by 0.217 when all other factors are held constant and finally the null hypothesis that states $H_{02:}$ There is no significant relationship between responsiveness and rural bank customer satisfaction is rejected. Assurance with significant value o 0.002 supports the findings of Shanka (2012) and Saghier and Nathan (2013) that assurance plays an important role in satisfying banking customers.

Rural customers revealed that they are not satisfy with Empathy role of bank personnel in rural areas of Adamawa state, with value of 0.229 which shows that there is no significant positive relationship between assurance and customer satisfaction. This findings is contrary to the findings of Santhiyayalli (2011) that empathy has maximum average score among the four dimensions.

4.1   CONCLUSIONS.

Understanding the level of rural customer satisfaction and improving on the result may lead in increasing bank patronage by rural customers. This study has analysed the customer satisfaction with rural bank customers using SERVQUAL model. The result indicated that customers are satisfied with four construct (Tangibles, reliability, responsiveness and assurance) while empathy was not satisfied by customers. Despite the four variable showed significant level of satisfaction by customers, there is need to im improve on them and work seriously on empathy.

4.2   MANAGEMENT IMPLICATIONS OF THE STUDY.

1, Banks management should increase the physical features and facilities around their banks because even though there is significant positive relationship between tangibles (TNG) and customer satisfaction the correlation is still weak.

2, Reliability (REL) is an important construct in customer satisfaction, management should consider maintaining or even enhancing it.

3, How banks responds to need of customers (responsiveness) in this research showed significant positive result. Banks should increase its apple to customers because they need better service.

4, Assurance (ASS) in services rendered for rural bank customers showed a significant relationship but with a very weak correlation of B value of 0.133 this shows that banks need to increase their level of assurance in service delivery to their customers.

5, Empathy (EMP) with significant value of 0.225 showed that customers are not satisfied with it. The individual attention staff give to customers, the convenience of operating hours and understanding specific needs of customer needs to be strategize to give maximum satisfaction to customers. Also customers feel the banks don't have their best interest at heart, management of banks should also work on changing this situation.

4.3   CONTRIBUTION TO KNOWLEDGE, LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Based on the studies came across, there is nowhere rural customers satisfaction was studied using SETVQUAL in Nigeria, especially Adamawa state. So, this study have filled the gab.

This study no doubt has revealed how rural customers perceived service quality by banks operating in rural areas of Adamawa State. However, there is need to look at beyond one state, so, researchers can focus on multiple states, regions or the country at large. Secondly, further studies can also look at effect of demographic on satisfaction of rural customers

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