

## **Development of Scale for Service Quality, Satisfaction and Behavioural intentions: Middle Eastern Context**

### **Abstract**

**Purpose** – The objective of this paper is the development of a reliable and valid scale for measurement of service quality, customer satisfaction and behavioural intentions appropriate for the unique cultural context of the Middle East.

**Design/Methodology/Approach** – Three phase approach was adopted in this study. Phase I involved qualitative study, phase II consisted of pre-testing and pilot survey and the final phase involved collection of data. Data were collected using self-administered questionnaire from a sample of 373 respondents arrived at by cluster sampling. Data analysis techniques used include exploratory factor analysis, linear regression etc.

**Findings** - This research also emphasizes the multi-dimensional nature of service quality consisting of seven dimensions namely core service/ service product (8 items), tangibles and systematization (9 items), credibility (3 items), empathy (7 items), security (3 items), assurance (3 items) and responsiveness (5 items). The same dimensions and items are found to be relevant in measuring customer satisfaction. The behavioural intentions scale was found to involve three dimensions – loyalty (5 items), price sensitivity (5 items) and response to problem (3 items).

**Practical implications** – With changing demography of the region and with customers becoming more demanding accompanied by increasing diversity in financial products and services and several financial institutions, service quality measurement and management has become one of the priority areas for the bank managers for survival and growth.

The findings of this research would provide valuable insights to the managers of the banks with regard to the dimensions that contribute to the perceptions of service quality, satisfaction

and behavioural intentions. This would further help them formulate strategies to enhance these dimensions for better customer retention and customer equity.

**Originality/Value** – Though there exist large number of studies which use the generic scales for measuring service quality for banking and others that have used scales specifically developed for banking sectors, this study has attempted to develop a fully customized scale to measure service quality, satisfaction and behavioural intentions for the specific context of the Middle East and therefore promises to lend more reliability and validity to the predictive and diagnostic value of this instrument.

**Keywords** – Banking, Customer service quality, Customer satisfaction, Behavioural intentions, Middle –East region.

## **1. Introduction**

“What’s measured improves” is the saying by Peter F Drucker. Today service sector with unique characteristics and challenges is at the crossroads to either improve the vital components of organizational performance or perish. Service quality is considered as a vital strategic issue for service sector organizations (Lewis and Mitchell, 1990). It is receiving lot of attention from managers and academicians alike due to its relationship to customer satisfaction (Bolton and Drew, 1991a, b; Cronin and Taylor, 1992, 1994; Boulding et al., 1993, Shemwell et al., 1998 etc.) and customer retention (Keaveny, 1995; Boshoff, 1997; Hocutt, 1998). Early scholars believed that the fundamental core of business is in the creation of satisfied customers (Drucker, 1973). Consistent with this argument is the fact that one of the central themes of the marketing concept is delivering products and services that satisfy customer needs (Howard and Sheth, 1969; Kohli and Jaworski, 1990). In return satisfied customers are expected to exhibit behaviours that are favourable to the company. Higher levels of service quality contribute to higher customer satisfaction which is a pre-requisite for

competitive advantage (Lewis and Mitchell, 1990; Meuter et al, 2000). Considering these factors ascertaining the dimensions of service quality and the other constructs and assessment of these constructs are growing in importance. They are also vital as they lend themselves to devising strategies for effectiveness.

So the aim of this research is to develop valid and reliable instruments for service quality, customer satisfaction and behavioural intentions.

It now becomes imperative to understand the various constructs and their implications

### ***2a. Service Quality, Satisfaction and Behavioural Intentions***

The most pervasive definition of quality currently in use is the extent to which a product or service meets and/or exceeds a customer's expectations (Buzzell& Gale, 1987; Gronroos, 1990; Zeithaml et al., 1990). This definition grew out of the services marketing literature.

One of the greatest challenges facing organizations today is the ever-growing competition, the continuous increase in customer expectation (Joseph and Walker, 1988; Leonard and Sasser, 1982; Takeuchi and Quelch, 1983) and customers' subsequent demands as service improves (Ettorre, 1994). Moreover, customers are becoming increasingly critical of the quality of service they experience (Albrecht and Zemke, 1985a). While service quality has proved to be an essential ingredient to convince customers to choose one service organization over another, many organizations have realized that maintaining excellence on a consistent basis is imperative if they are to gain customer loyalty.

### ***2b. Satisfaction***

For marketers and consumer researchers, customer satisfaction is an important theoretical as well as practical issue (Dabholkar et al., 1996; Meuter et al., 2000). In today's highly competitive world of business, customer satisfaction can be considered vital for success. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. It has been consistently established by past studies that higher customer satisfaction leads to increased repeat purchase behaviour (Bolton 1998; Bolton and Lemon, 1999; Gupta and Zeithaml, 2006) and the other favourable customer behaviours.

### ***2c. Behavioural intentions***

Customer satisfaction is proposed to have a strong link to behavioural intentions. In addition to facilitating customer retention (Bolton 1998; Reichheld and Sasser, 1990), scholars have produced impressive evidence of the favourable effects of customer satisfaction on various behavioural intention indicators, such as repeat purchase (Szymanski and Henard, 2001), willingness to recommend to others (Homburg et al., 2005), loyalty (Anderson and Sullivan, 1993), reduction in complaints and improved customer retention rates (Bitner 1990; Danaher, 1997) and profitability (Anderson et al., 1994; Bernhardt et al., 2000).

### ***2d. Banking and Service Quality***

Banking is a high involvement industry. Delivering quality service and products to the customer is essential for success and survival in today's global and highly competitive banking environment (Wang et al., 2003). In view of the escalating competition, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. To work towards this goal, it becomes imperative to measure service quality, customer satisfaction and behavioural intentions in commercial banks.

Having considered the various constructs and the importance of measuring them, this study endeavours to develop the instruments for measuring service quality, satisfaction and behavioural intentions in the context of retail banking. This would also include the assessment of their psychometric properties.

## **2e. Measurement of Service Quality**

Practitioners and academics alike are keen on accurately measuring service quality in order to better understand its essential antecedents and consequences, and ultimately, establish methods for improving quality to achieve competitive advantage and build customer loyalty (Palmer and Cole, 1995; Zahorik and Rust, 1992).

Research literature over the past two and half decades has contributed to the measurement of service quality. Instruments have been developed for general measures and also for specific service setting (see Bahia and Nantel, 2000; Gronroos, 1990). The most widely used generic measure of service quality is SERVQUAL, developed by Parasuraman et al. (1985, 1988). In the banking industry, SERVQUAL has been used in both original and adapted versions by a variety of banks (Bahia and Nantel, 2000)

Jaya Sangeetha and Mahalingam, 2011 involves review of the service quality models employed in banking. The findings present two categories of service quality models. The first category includes the various service quality models that have been developed for the banking sector and second the generic service quality models which have been applied to the banking sector worldwide. A common theme emerging from these comparisons is that the dimensions across the different models of service quality may have some commonality,

however, the items involved and their operationalization in different cultural and country contexts within the same banking sector may vary.

The second category discusses the studies that have used the GAP model involving SERVQUAL (Parasuraman et al., 1988) in different countries all over the world. Comparison of the results in Mahalingam and Jaya Sangeetha, 2011 reveals mixed results on: 1. dimensionality of SERVQUAL, 2. the order of importance of SERVQUAL dimensions, 3. the identification of Gaps in the dimensions.

The dimensionality of service quality with respect to SERVQUAL for countries ranging from the West to the East highlights many differences (see Levesque and McDougall, 1996; Newman and Cowling, 1996; Lasser et al., 2000; Jamal and Naser, 2002; Caruana, 2002; Cui et al., 2003; Jabnoun and Tamimi, 2003; Beerli et al., 2004; Mukherjee and Nath, 2005; Wang et al., 2003; Angur et al., 1999). The findings of this review of literature reiterate the opinion of many researchers (Babakus and Boller, 1992; Lapierre and Filiatrault, 1996; Levitt, 1981) that the universal conceptualization of service quality construct as in SERVQUAL may be futile. To be of practical utility a service would not only be operational (non-global), but also context specific. Hence, a generic instrument for measurement of Service Quality or even one specifically developed for Banking may not be applicable in its original form. Development of the customized scale for measuring the Service Quality for a particular cultural and country context and at a particular time is warranted.

The original study of Parasuraman et al (1988) in USA found Reliability as the most critical dimension followed by Assurance, Tangibles, Responsiveness and last was Empathy. The order of importance of the SERVQUAL dimensions is found to be different across different countries (see Kwan & Hee, 1994; Dotchin & Oakland (1994); Newman & Cowling (1996);

Yavas et al (1997); Angur et al (1999) Lassar et al. 2000; Karin Newman (2001); Wang et al 's study in 2003; Beerli et al (2004) Yavas et al (2004); Arasli et al (2005); Najjar & Bishu (2006); Tahir and Bakar (2007). The significantly varying order of importance of the dimensions draws attention to the fact that the importance of the dimensions needs to be assessed for each and every study on Service Quality pursued in a country and for the specific industry at that time.

SERVQUAL has been proposed as a useful instrument for diagnostic purposes. It has been found to effectively identify the gaps in the dimension and thus help the service organization to assess service quality and do the needful to bridge the gap (see Kwan and Hee, 1994; Newman and Cowling, 1996; Arasli et al., 2005).

The review of literature puts forth the following points:

- Service quality has some common dimensions across the different models, however, the items involved and their operationalization in different cultural contexts within the same industry sector may vary.
- A generic instrument for measurement of service quality or even one specifically developed for an industry may not be applicable in its original form. Development of the customized scale for measuring the service quality for a particular cultural and country context and at a particular time is warranted.
- The dimensionality and the items under each dimension vary with the context and hence the reliability and validity of the instrument needs to be assessed for every study.
- The importance of the dimensions varies with the context of the study and hence needs to be assessed in every study.

## **2f. Measurement of Satisfaction**

Several research studies have emphasized the multi-faceted nature of customer satisfaction and have used multiple items scales to measure the construct (Westbrook and Oliver, 1981; Crosby and Stephens, 1987; Suprenant and Solomon, 1987; Oliver and Swan, 1989; Oliva et al., 1992). A slightly different approach is adopted by a few studies which consider satisfaction as a multi-dimensional construct. The approach views the underlying factors/items of customer satisfaction to be the same as the ones by which service quality is measured and in those lines argue that satisfaction should be operationalized along the same dimensions as those of service quality and by the same items that span the different dimensions (Sureshchander et al., 2002; Bitner and Hubert, 1994).

## **2g. Measurement of Behavioural Intentions**

Acknowledging that behaviours are difficult to predict and understand, it has been suggested that a person will generally act in accordance with predisposing intention (Ajzen and Fishbein, 1980). Intent to behave is a result of experience with a service or information deemed relevant by the consumer about that service. The predisposition or attitude is seen as a determining factor in a consumer's behaviour such as repeat purchase, complaining, switching, increase in the level of spending, recommending the services to several others (Anderson and Sullivan, 1990; Zeithaml et al., 1996). Customers' behavioural intentions have often been used as surrogate indicators of the customers' behaviour in the future towards the service provider.

## **2h. The Middle East Context**



The Middle East is one of the world's fastest growing markets in the banking and capital markets sector. The financial services sector in this region is in the midst of a massive overhaul. With populations getting younger, better educated and more demanding; increasing diversity in financial products and services; and growing regulatory requirements for better monitoring of processes and developing secure financial systems, banks and financial institutions across the region are investing heavily to match or outstrip their international peers (<http://www.pwc.com/m1/en/industries/banking-capital-markets.html>). Service quality measurement and management has a huge potential to contribute towards this end.

In the context of Middle East, there are a few studies on the service quality and customer satisfaction in Islamic banking (Al-Tamimi and Al-Amiri, 2003) and on commercial banks (Jamal and Naser, 2002; Hossain and Leo, 2009; Jabnoun and Al-Tamimi, 2002; Mohammad and Alhamdani, 2011) .

Jamal and Naser, 2002 proposes that the core and relational dimensions of service quality are linked to satisfaction and the customer expertise is negatively related in the banking context. Hossain and Leo, 2009 evaluated the service quality based on customer perceptions in banking in the Middle East and Qatar in particular. However, the other constructs like customer satisfaction and behavioural intentions have not been dealt with. Jabnoun and Al-Tamimi (2002) developed and tested an instrument measuring service quality in the UAE commercial banks based on SERVQUAL but limited it to measurement of perceptions only. Mohammad and Alhamdani, 2011 examined the customer perceptions of service quality and its effect on customer satisfaction in the context of Jordan. The study used the modified version of SERVQUAL for measuring service quality and customer satisfaction was assessed

using nine items adapted from Lasser et al. (2000). The result indicated that service quality is an important antecedent of customer satisfaction.

The literature on Middle East context reveals two gaps. Firstly, a gap in terms of studies which have considered the unique culture and context of this region; secondly, studies which have attempted to develop instruments not only to measure service quality but also customer satisfaction and behavioural intention. This paper endeavours to fill this gap.

Methodology adopted for the development of the customized scales has been explained in detail in the following Section 3, followed by discussion and conclusion in section 4. Section 5 provides the limitations and scope for future research.

### **3. Methodology**

#### **3.1 Development of customized instrument**

This section deals with the phases in the development of a reliable and valid standard scale for the measurement of service quality, satisfaction and behavioural intentions in banking services, taking into consideration the different country and cultural context. The current study focuses on retail banking customers.

In the field of marketing there are a number of approaches to developing measurement instruments (e.g. the C-OAR-SE method proposed by Rossiter, 2002). However, the approach put forward by Churchill (1979) remains a widely accepted general paradigm (Hardesty and Bearden, 2004). This study adopted Churchill's suggestions regarding the steps in developing the instruments.

Table 1 presents this multistage process and the techniques that were used to develop the final instruments for assessing service quality, satisfaction and behavioural intentions and

demonstrate its validity and reliability. The following sections discuss the steps used to develop and validate the final instruments.

The first phase enumerates the qualitative stage involving generation of items for a new scale, followed by the pilot stage involving data collection to refine the instrument. Subsequent sections discuss about the factor analysis conducted to arrive at a parsimonious set of dimensions to assess service quality, satisfaction and behavioural intentions followed by reliability and validity analysis of the proposed instruments. The last section elaborates the research methodology along with the process of data collection using the refined instruments to confirm the psychometric properties.

Development of customized instruments has been done in three phases as described below.

**Table 1: Stages of development and validation of service quality, satisfaction and behavioural intentions scale based on Churchill (1979)**

Phases	Stages	Techniques suggested for this study
I	Specification of the domain of the scales	<ul style="list-style-type: none"> <li>Define and delineate service quality, satisfaction and behavioural intentions and their dimensions based on the literature and the results of a qualitative exploratory study</li> </ul>
	Qualitative study Item generation	<ul style="list-style-type: none"> <li>Generate a list of items derived from the literature</li> <li>Reconcile, reformulate and, when necessary, create items suitable for the country and culture context using personal interviews with retail banking managers and customers.</li> <li>One-to-One interviews with a panel of experts. (5 bank managers) resulted in a preliminary scale (containing</li> </ul>

		57 items each for service quality and satisfaction; 13 items for behavioural intentions
II	Pre-test 1	
	Initial review	<ul style="list-style-type: none"> <li>• Initial Questionnaire was vetted by experienced fellow researchers</li> </ul>
	Pre-test 2 -Pilot	
	Pilot survey	<ul style="list-style-type: none"> <li>• Administer a paper-based questionnaire to 60 respondents.</li> </ul>
	Clarification of the measures	<ul style="list-style-type: none"> <li>• Check suitability of the instrument by translating into Arabic and back translation and thereby modifying the scale to improve response</li> </ul>
	Improvement of the measures	<ul style="list-style-type: none"> <li>• Perform exploratory factor analysis (EFA) for data reduction and interpretation.</li> <li>• Improve the instrument based on EFA findings</li> </ul>
	Scale reliability and validity assessment	<ul style="list-style-type: none"> <li>• Assess reliability using Cronbach alpha</li> <li>• Assess predictive validity</li> </ul>
III	Data Collection	
	Data Collection	<ul style="list-style-type: none"> <li>• Administer the refined questionnaire in Arabic and English to 606 respondents; 373 valid responses obtained.</li> </ul>
	Reassessment of reliability of final scale	<ul style="list-style-type: none"> <li>• Perform EFA</li> <li>• Assess reliability using Cronbach alpha</li> </ul>

	Reassessment of validity of final scale	<ul style="list-style-type: none"> <li>• Assess convergent validity</li> <li>• Assess discriminant validity</li> <li>• Assess predictive validity</li> </ul>

### 3.2 Phase I - Qualitative study

#### 3.2.a Item generation

##### 3.2.a.1 Dimensions of customer-perceived service quality

The research literature on service quality has identified numerous models by different researchers across the world. However, the Service Quality model (Parasuraman et al., 1985) is the pioneering work which forms the foundation for all the other works. In developing the measurement instrument, the following ten dimensions initially identified in earlier exploratory research (Parasuraman et al., 1985), have been considered as the starting point: 1. Tangibles; 2. reliability; 3. Responsiveness; 4. Communication; 5. Credibility; 6. Security; 7. Competence; 8. Courtesy; 9. Understanding/knowing the consumer; and 10. Access.

Sureshchander et al., 2002 propose that owing to the inherent characteristics of services, the inclusion of human interaction/intervention in the service delivery and the rest of the tangible facets of service (such as the effects of atmospherics, design and decor elements, appearance of equipment, employee appearance, etc.) are imperative. The study identified five factors of service quality critical from the customers' point of view namely – core service or service product, human element of service delivery, systematization of service delivery, tangibles of service or servicescapes and social responsibility. From this study two dimensions namely – core service or service product and systematization of service delivery was included into our preliminary list.

Carman (1990) suggests that it is often necessary to incorporate additional items and dimensions to avoid the problem of some dimensions being insufficiently generic. For generating additional dimensions and items, a mixed methodology consisting of a combination of 15 one-to-one interviews and extensive literature review was adopted. 10 one-to-one interviews with retail banking customers and 5 interviews with the bank managers were conducted. Each interview lasted between 20 and 45 minutes. Discussion themes were prepared in advance. These related to customers' and managers' own service experiences. The items generated based on the information received from the interviews were supplemented into the list of items for survey. This led to the addition of Service Recovery dimension to the overall list totalling to thirteen dimensions.

### **3.2.a.2 Dimensions of customer satisfaction**

Researchers have acknowledged the multi-dimensional nature of customer satisfaction and have come out with global measures (capturing the satisfaction at multiple levels in the organization), that view overall satisfaction as a function of satisfaction with multiple experiences or encounters with the service providers (Sureshchandar et al., 2002). The present study also views customer satisfaction as a multi-dimensional construct, and the underlying factors/items for assessing customer satisfaction are the same as the ones by which service quality is measured. Hence, customer satisfaction has been operationalized along the same dimensions that constitute service quality and by the same items that span the different dimensions. Thus, the qualitative stage led to the conceptualization of 13 dimensions consisting of 57 items for service quality and customer satisfaction each.

The dimensions and the corresponding items for service quality and satisfaction are as provided in Table 2.

Include Table 2 here

### **3.2.a.3 Dimensions of behavioural intentions scale**

According to a Ziethaml et al. (1996), behavioural intentions can be captured by such measures as repurchase intentions, word of mouth, loyalty, complaining behaviour, and price sensitivity. They also emphasized that behavioural intentions are reflected in the customers' decision to remain or switch the service provider. High service quality (as perceived by the customer) often leads to favourable behavioural intentions while a low service quality tends to lead to unfavourable behavioural intentions. The items used by PZB 1996 are used to measure respondents' behavioural intentions.

Extensive literature review on the dimensions for behavioural intentions (Swanson and Davis, 2003; Boulding et al., 1993; White and Yu, 2005) was taken up to identify the various behavioural dimensions relevant to retail banking services. The process resulted in the realization that the dimensions and items put forward by PZB 1996 is comprehensive and hence is considered in this study. Table 3 enumerates the dimensions and the items.

Insert Table 3 here

Having identified the dimensions and items, we proceed to carry out the pilot study.

### **3.2.b Phase II – Pre-testing and Pilot survey**

The results of the qualitative stage were used for formulation of the questionnaire for the pilot study. The questionnaire was a self filled structured questionnaire consisting of three sections. The first section was used to collect demographic data, and in the second section the relative importance of the thirteen dimensions of service quality was obtained using constant

sum approach. The third section was used to collect information on 57 items for service quality and customer satisfaction with two questions for assessment of overall service quality (OSQ) and overall satisfaction (OSAT) and 13 for behavioural intentions. All the items used 5-point likert scale.

Perceived service quality is a consumer judgment (a form of attitude) and results from comparisons consumers make between their expectations and their perception of the actual service performance. Thus, in the banking sector, perceived service quality results from the difference between customers' perceptions for the services offered by the bank (received service) and their expectations vis-a-vis the banks that offer such services (expected service). The expectations and perceptions scores were not collected in two separate sections, but rather simultaneously for each item (direct measure). The soundness of the psychometric properties of the direct measures has been proposed and established in several research works (Carman, 1990; Peter et al., 1993; Parasuraman et al., 1994b). Scales directly measuring perceived performance relative to expectations have also been found to be less biased and more useful than scales merely measuring performance (Devlin, Dong and Brown 1993). Along the same lines, in this study each service quality item was surveyed using statements such as - "politeness of branch staff" is (1) = "much worse than I expected" to 5 = "much better than I expected". Customer satisfaction measurement incorporated the possible responses ranging from 1 = "not at all satisfied" to 5 = "Extremely satisfied". Behavioural intentions were estimated using responses ranging from (1) = "Strongly Disagree" to (5) = "Strongly Agree".

After the design of the questionnaire, the initial pre-test involving vetting of the questionnaire by fellow researchers was conducted to assess the clarity of the items.



In the second pre-test i.e. the pilot survey, the questionnaire was administered to a sample consisting of 60 staff of a business school in Sultanate of Oman. In an effort to capture a minimum exposure to banking services, data was collected by administering questionnaires to the respondents who had used the bank's services at least once in the last three months. A total of 45 useable surveys were collected with 6 rejections which gave a response rate of 75% percent. Considering the response from the pre-tests the decision was taken to translate the questionnaire into Arabic for the subsequent test. This was followed by the refining of the instrument.

For the purpose of refining the questionnaire, the responses received in the pilot stage were analyzed using factor analysis using SPSS package. Factor analysis was performed to verify factor stability of the scales, and further refine and improve them. Following the methodology suggested by Churchill and Iacobucci, 2002, seven relevant factors were extracted for service quality and customer satisfaction which together accounted for 79.89% variance namely– core service/ service product (8 items), tangibles and systematization (9 items), credibility (3 items), empathy (7 items), security (3 items), assurance (3 items) and responsiveness (5 items). The factor analysis on the 5 dimensions of the behavioural intentions scale resulted in the collapse of the two factors "Propensity to Switch" and "Willingness to Pay more" into one dimension which was named "Price sensitivity". The other two factors – "External Response to Problem" and "Internal Response to Problem" integrated into one factor – "Response to Problem". Hence, three factors were extracted which corresponded to – Loyalty, Price Sensitivity and Response to Problem. The number of items under the factors was 5, 5 and 3 respectively. The 3 factors accounted for 69.8% variance.

### **3.2.b.2 Assessment of the psychometric properties of the instrument**

A Cronbach's alpha analysis was used to assess the internal consistency of the scale employed in the pilot stage. The Cronbach's alpha coefficient was found to be above 0.7 for all of the proposed dimensions for service quality, satisfaction and behavioural intentions, which indicated an acceptable level of reliability (Nunnally and Bernstein, 1994).

Table 4 shows the seven retained factors, their descriptions and the corresponding internal consistency in terms of Cronbach's alpha for service quality and customer satisfaction.

Table 4 goes here

Table 5 shows the internal consistency of the three retained factors of behavioural intentions scale (expressed in Cronbach's alpha value) arrived at after the pilot study.

The predictive validity of service quality, customer satisfaction and behavioural intentions scales was already established in the qualitative study phase.

Table 5 goes here.

Having ascertained the reliability and validity of the instruments, the next section discusses the methodology used for data collection.

### **3.3 Data Collection**

Primary data relating to service quality, satisfaction and behavioural intentions were collected using the revised questionnaire both in English and Arabic. Translation of the

questionnaire to Arabic and back translation was done with the help of local experts to ensure suitability.

Two-stage clustered sampling method was used based on the market share (IMF Working paper (WP/10/61)) of the major commercial banks in Sultanate of Oman. Customers who had used retail banking services in the last three months were included in the sample.

Hair et al (1995) recommend that the sample size needs to be 5 times the number of items in the measurement scale and hence the required sample size works out to be 455. Considering that the response rate was 75% (based on the pilot study response), the sample size considered is around 606 (Saunders, Lewis & Thornhill, 2000).

A total of 605 questionnaires were distributed to the customers of different banks keeping in mind the proportion of market share of each bank (IMF Working paper; WP/10/61). 429 responses were received but only 373 were considered suitable for analysis.

Confirmation of the psychometric properties of the final scales for service quality, satisfaction and behavioural intentions help confirm the suitability of the factors/dimensions considered. This in turn would ascertain the validity of the data collected using the various instruments.

### ***3.3.a Testing of psychometric properties***

Reliability Analysis using Cronbach's alpha for each of the dimensions/factors for service quality and customer satisfaction was found to be above 0.7 and hence considered satisfactory. (Nunnally and Bernstein, 1994).

For behavioural intentions factors, the Cronbach's alpha value increased for both the factors "Price Sensitivity" and "Response to Problem" when one item was moved from "Price Sensitivity" to "Response to Problem". Hence, the change was made. The internal consistency of the scale used can be considered satisfactory as all the values are above 0.7

except for Factor 2 –Price Sensitivity– which is 0.6860 which is also close to the required value and hence considered satisfactory.

Validity of the scales was assessed by testing the content, convergent and discriminant validity. Content validity was already confirmed as already described in the pre-test involving a combination of extensive literature reviews and 15 one-to-one interviews.

The scale's convergent validity is assessed by testing the association between the weighted service quality (WTSQ) and the un-weighted service quality (UNWTSQ). Weighted service quality (WTSQ) measure was arrived at based on the measure of the service quality dimensions along with the importance scores obtained for the respective dimensions. Un-weighted service quality (UNWTSQ) was measured using a single statement in the survey about the overall perceptions of service quality. Correlations between the weighted service quality (i.e. WTSQ) and un-weighted service quality (i.e. UNWTSQ) are found to be high at 0.976; which shows high convergent validity. Similar assessment for customer satisfaction gave a value of 0.987 confirming high convergent validity.

Discriminant validity is measured by the correlation of the weighted service quality (WTSQ) with a similar, but conceptually distinct measure - overall satisfaction (OSAT) (as measured by a single statement in the survey). The correlation is found to be low at 0.439 indicating discriminant validity. The correlation between weighted customer satisfaction (WTSAT) and overall service quality (OSQ) results in a value of 0.367 confirming discriminant validity.

#### **4 Discussion and Conclusion**

In the financial sector where 35 percent of the clients deal with multiple financial institutions, account balances reduce at the rate of 24 percent and annual defection rate is around 5 percent (Aurier and N'Goala, 2010), there is a growing interest in developing

lasting and beneficial relationships with consumers (Theron and Terblanche, 2010). As more and more companies strive for quality in their products, customer satisfaction is becoming a corporate goal (Bitner and Hubbert, 1994). The significance of customer satisfaction and customer retention in strategy development for a “market oriented” and “customer focussed” firm cannot be underestimated (Kohli and Jaworski, 1990).

However, there is a lack of valid measure of service quality and customer satisfaction in the Middle East context in the banking industry. This research has attempted the development of reliable and valid scales for measurement of service quality, customer satisfaction and behavioural intentions for this context. The scales take into consideration the multi-dimensional nature of service quality with seven dimensions – core service/ service product (8 items), tangibles and systematization (9 items), credibility (3 items), empathy (7 items), security (3 items), assurance (3 items) and responsiveness (5 items). The same dimensions and items are found to be relevant in measuring the customer satisfaction. The behavioural intentions scale was found to involve three dimensions – loyalty (5 items), price sensitivity (5 items) and response to problem (3 items).

The new scales developed for service quality, customer satisfaction and behavioural intentions have several theoretical and practical contributions as it has considered the universal dimensions and also customized it to the settings and hence lends more predictive and diagnostic value.

The scales would help the practicing managers in the financial industry not only to know the dimension that are important in determining the service quality, customer satisfaction and behavioural intentions but would also quantify the levels of these important concepts in their organizations. In this process they can identify the dimensions in which gaps exist and hence take relevant action. It can also be used as a tool to segment customers and

identify target strategies and actions more appropriately. To the marketing professionals in the field with the need to determine their relational positioning, the research would be a useful tool in contributing to better efficiency and effectiveness in achieving long-term relationships with customers, thus resulting in customer retention and customer equity.

## **5 Limitations and scope for future research**

The scale has been validated only for one service sector, retail banking. Before generalizing its applicability to the other areas in banking namely corporate banking and to other service sectors, it should be tested and replicated. This could form the scope of future research in these areas.

Some of the constructs relevant to retail banking like trust have not been included in the scope of research whose applicability can be tested in future studies.

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**Table 2 – Dimensions and items for Service Quality and Customer Satisfaction scales**

Sl. No	Dimensions	Description	Items
1	Reliability	The ability of the bank to perform the promised service consistently, dependably, doing the service right the first time and honour the promises made.	<ul style="list-style-type: none"> <li>• Timely fulfilment of the bank's promises</li> <li>• Showing of sincere interest in solving problems whenever customers have it.</li> <li>• Performance of the service right the first time.</li> <li>• Providing of services at the time they promise to do.</li> <li>• Maintenance of error-free records.</li> </ul>
2	Responsive-ness	The willingness or readiness of employees to provide timely service.	<ul style="list-style-type: none"> <li>• Communicating to customers exactly when the services will be performed.</li> <li>• Providing prompt service to customers by the bank.</li> <li>• Bank employees' willingness to help customers.</li> <li>• Response to customer's request by the bank Employees.</li> <li>• Updating customers on services.</li> </ul>
3	Competence	The possession of the required skills and knowledge to perform the service	<ul style="list-style-type: none"> <li>• Knowledge and skill of the contact personnel.</li> <li>• Knowledge and skill of the operational support personnel.</li> <li>• Research capability of the bank.</li> </ul>
4	Access	Extent of approachability and ease of contact	<ul style="list-style-type: none"> <li>• Accessibility of the service by telephone, internet or ATMs (lines are not busy and they don't put you on hold).</li> <li>• Waiting time to receive service (e.g. at a bank) is not extensive.</li> <li>• Convenient operating hours and days.</li> <li>• Convenience of location of service facility.</li> <li>• Availability of most service operations in every branch/department of the bank.</li> </ul>
5	Courtesy	Politeness, respect,	<ul style="list-style-type: none"> <li>• Consideration for the customer's property.</li> </ul>

		consideration and friendliness of all contact personnel	<ul style="list-style-type: none"> <li>Clean and neat appearance of public contact personnel.</li> </ul>
6	Communication	Keeping customers informed in language they can understand and adjust their language to the level of sophistication of different customers.	<ul style="list-style-type: none"> <li>Ability of the bank's staff in explaining the service itself.</li> <li>Explanation on how much the service will cost.</li> <li>Explanation of the trade-offs between service and cost.</li> <li>Assurance to the consumer by the bank's staff that a problem will be handled.</li> </ul>
7	Credibility	The trustworthiness, believability, honesty of the bank's employees and having the customer's best interests at heart.	<ul style="list-style-type: none"> <li>The name of the bank compared to the bank you would like to be associated with.</li> <li>Reputation of the bank when compared with any other bank you would like to have service with.</li> <li>Personal characteristics of the contact personnel of this bank.</li> <li>Degree of hard sell involved in interactions with the customer.</li> </ul>
8	Security	Extent of freedom from danger, risk or doubt.	<ul style="list-style-type: none"> <li>Physical safety of the equipments involved (E.g. ATMs).</li> <li>Financial security provided by the bank.</li> <li>Confidentiality of the dealings with the bank.</li> </ul>
9	Understanding /Knowing the customer	The effort by the bank's employees to understand the customer's needs	<ul style="list-style-type: none"> <li>Effort by the bank to learn the customer's specific requirements.</li> <li>Bank's employees providing individualized attention.</li> <li>Bank's employees' ability to recognize the regular customer.</li> </ul>
10	Tangibles	The appearance of the bank's physical facilities, equipment, personnel and communications materials.	<ul style="list-style-type: none"> <li>Appearance of the building and the other physical facilities.</li> <li>Appearance of the bank's employees.</li> <li>Tools or equipment used to provide the service.</li> <li>Physical representations of the service, such as a plastic credit card or a bank statement.</li> <li>Other customers in the service facility.</li> </ul>
11	Core Service/Service	Quality of the basic product or core service	<ul style="list-style-type: none"> <li>Diversity and range of services (having a wider range of financial services from the bank).</li> </ul>

	Product	including the range intensity and depth of service, service innovation etc.	<ul style="list-style-type: none"> <li>• Intensity and depth of service (having a greater number of options in every service/transaction).</li> <li>• Service innovation.</li> <li>• Availability of other ancillary services.</li> <li>• Charges for the bank's products and services.</li> <li>• Absence of exit barriers.</li> <li>• Emphasis on continuous improvement.</li> <li>• Quality and reputation of organizations with which the bank has collaboration.</li> <li>• Flexibility and customized service solutions.</li> </ul>
12	Systematization of Service Delivery	Performance of automated electronic channels and having a highly standardized and simplified delivery process	<ul style="list-style-type: none"> <li>• Having a highly standardized and simplified delivery process so that services are delivered without any hassles or excessive bureaucracy.</li> <li>• Having a highly standardized and simplified delivery process so that service delivery times are minimum.</li> <li>• Degree to which the procedures and processes are perfectly fool-proof.</li> <li>• Availability of Automated Electronic Channels (E.g. ATMs, Telephonic banking, Internet banking, Cash Deposit Machines etc.)</li> <li>• Problem free functioning and response from the automated electronic channels.</li> </ul>
13	Service Recovery	In the event of a service failure, the attitude and behaviour of the bank including the efficiency at arriving at an outcome and keeping the customer informed.	<ul style="list-style-type: none"> <li>• In the event of a service failure, nature of explanation for what happened.</li> <li>• Apology by the bank staff for the service failure.</li> <li>• Exhibition of understanding of your complaint regarding the service failure.</li> <li>• Doing everything in its capacity to make you satisfied, in the event of service failure.</li> </ul>

**Table 3 – Dimensions and items for Behavioural Intentions**

Sl. No.	Dimensions	Items
1	Loyalty	<ul style="list-style-type: none"><li>• Say positive things about your bank to other people.</li><li>• Recommend the bank to someone who seeks your advice.</li><li>• Encourage friends and relatives to do business with this bank.</li><li>• Consider the bank your first choice to buy financial services.</li><li>• Do more business with this bank in the next few years.</li></ul>
2	Propensity to Switch	<ul style="list-style-type: none"><li>• Do less business with this bank in the next few years.</li><li>• Take some of your business to a competitor that offers better prices or rates.</li></ul>
3	Willingness to pay more	<ul style="list-style-type: none"><li>• Continue to do less business with this bank if its prices increase somewhat.</li><li>• Pay a higher price than competitors charge for the benefits you currently receive from this bank.</li><li>• Switch to a competitor if you experience a problem with this bank's service.</li></ul>
4	External response to problem	<ul style="list-style-type: none"><li>• Complain to other customers if you experience a problem with this bank's service.</li><li>• Complain to external agencies, if you experience a problem with this bank's service.</li></ul>
5	Internal response to problem	<ul style="list-style-type: none"><li>• Complain to the bank's employees if you experience a problem with the bank's service.</li></ul>

**Table 4 – Internal Consistency of Service Quality and Customer Satisfaction scale**

Factor No.	Dimension s/ Factors Name	Description	No. of items involved	Cronbach's alpha for Service Quality(SQ)	Cronbach's alpha for Customer Satisfaction Scale (CSAT)
1.	Core Service/ Service product	Quality of the basic product or core service i.e. banking (including intensity and depth of services, service innovation, ancillary services and features of service recovery in the event of service failure	8	0.9585	9.9443
2.	Tangibles & Systematization	Physical evidence like appearance of employees, tools and equipments used; systems availability (like having standardized and simplified delivery procedures, automated electronic channels, and systems outcome features including error-free service, communication about the exact time of performance of service, flexibility, customized solution and problem free functioning of automated electronic channels.	9	0.9464	0.9127
3.	Credibility	Reputation and image of the bank	3	0.8737	0.8673
4.	Empathy	Understanding customer needs like diversity and range of services, having fool-proof processes and procedures, convenient locations; recognizing regular customer, providing individualized attention, willingness to help and fulfilment of promises made	7	0.9348	0.9254
5.	Security	Freedom from danger, risk or doubt	3	0.8353	0.8424

6.	Assurance	Trustworthiness and believability through appearance, research capability, knowledge-ability and skill of operational personnel	3	0.8561	0.8773
7.	Responsive-ness	Readiness of employees to provide service and its timeliness	5	0.9099	0.8896

**Table 5 – Internal Consistency of Behavioural Intentions scale**

Sl.No.	Name of the Dimensions/Factors	No. of items involved	Cronbach's alpha
1.	Loyalty	5	0.9481
2.	Price sensitivity	5	0.7414
3.	Response to Problem	3	0.7415

The Cronbach's alpha for the overall scale was found to be a convincing 0.8409.