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A comparative study of customers' perceptions of service quality dimensions between public and private banks in Ethiopia

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Abstract
Banking firms like other service providing firms are trying to improve their service quality to make customers satisfied with their services in order to survive in the dynamic business environment. The main purpose of the study is to identify differences between the private and public banking sectors in terms of service quality perceptions in the view of corporate customers in Ethiopia. Data was collected from total 270 customers of commercial banks of Ethiopia by using stratified sampling methods and self-administered questionnaire. The questionnaire consisted of two parts. First, perceived service quality was measured using modified Servperf model. Second, business profile variables were included. The data collected was analyzed through statistical tools such as, descriptive statistics and Independent sample T-test. The results show that, there is a significance difference between public and private banks regarding the overall service quality dimensions taken together.

Keywords: Service quality, Servperf, commercial banks

Introduction

In service marketing literature, service quality has received a great deal of attention from both academics and practitioners. Organisations operating in service industries should consider service quality as a key strategic issue for the business success. Those service providers who establish a high level of service quality maintain a high level of customer satisfaction Zeithamn, et al. (2013); they also determined significant performance-related advantages, such as productivity, successful marketing strategies, customer retention and responsiveness to demand (Calabrese, 2011). Therefore, achieving high levels of service quality is one method to keep business customers both satisfied and loyal.

The study is focus on the corporate bank customers, because this segment is more valuable and complex in terms of frequency of several banking relationships than the more frequently investigated retail banking market. According to Dasilva (2010), there are difference between the nature of the relationship with banks depending on the firms size and as companies growing their bargaining power increase and also their number of bank used, showing that this banking segments has different banking awareness, preferring to benefit from the relation with several banks

Researchers have been debating the issue of public banking sector versus private banking sector, in relation to different business areas and different countries around the world. There are a number of theoretical literatures that strongly supports the view that the private banking sector outperforms the public banking sector in a number of countries worldwide. For instance, (Virk and Mahel, (2012) found that in private banks customers are more committed and satisfied as they receive better quality of service. Another study by (Vijay and M. Kumbhar, 2011) revealed that, the private banking sector are providing better service quality of internet banking than service provided by public sector bank. Another study by (Vasanthi and Gowri, (2013) found that private sector banks are more preferred by majority of the customer as they stress more upon relationship building with their clients and are better equipped with modern infrastructures as compared to public sector banks. There has been number of research carried out in Africa relating to service quality like (Ashraf, 2011) in his research findings show that there are significant differences between the Libyan private and public banking sectors in customer perceptions of service quality and the degree of importance attached to various dimensions of service quality. There has been little research carried out in the Ethiopian banking sector relating to service quality. For instance, one of these studies was undertaken by (Ven, Haile, Yonatan, & Tigineh Mersha, 2012) indicated that, perceived service quality fails short of customer expectation in the entire five dimension of service quality. Past research examining service quality in the commercial banking sector has been limited, and has tended to focus on end consumers rather than on business customers. There has been a huge amount of studies that empirically investigated the relationship between these concepts, reporting significant difference between public and private customer perceived level of service quality. However, as far as the researcher's experience, there is no study to investigate the differences between the Ethiopian private and public banking sectors, in terms of perceived service quality delivered to corporate customer in Ethiopia. Therefore, this research intended to fill the gap in the literature by, complementing and adding to previous research by expanding the study of service quality to include Ethiopian banks.

Service quality was derived from the comparison between consumers' perceptions of actual service quality upon delivery with consumers' expectations of service quality prior to service delivery, the instrument is based on the disconfirmation paradigm of expectations minus perceptions (Pararsuraman *et al.* 1988, 1991). Out of these, most of the literature is based on the second conceptualization.

Parasuraman et al. (1994) reported that the five service quality dimensions of Servqual scale could be ranked in order of importance: reliability, assurance, tangibles, responsiveness, and empathy. Another service quality model is developed by Cronin and Taylor (1992) which is a performance only model for measuring service quality with

empirical studies in banking, pest control, dry cleaning, and fast food sectors. The researchers concluded that service quality can be better measured by using perception dimensions, rather than expectation minus perception methodology. Subsequently, the researchers developed an alternative measurement instrument for measuring service quality named Servperf, which consists of the 22 perception items.

Brady et al. (2002) assured that Servperf was the most superior model among all service quality models and they did a replication and an extension of Servperf and supported the results of Cronin and Taylor (1992) in dissimilar sectors such as spectator sports, entertainment, health care, long-distance carriers, and fast food. This shows the significant support that has come out in favour of the SERPERF scale over time. Westbrook and Peterson (1998). In their exploratory study, discovered twelve dimensions or determinants for perceived service quality in a business to business environment such as responsiveness, competence, consultative selling, reliability, price, interpersonal skills, accessibility, credibility, product offering, market clout, geographical presence and tangibles. Though it still larges behind the Servqual scale in application, researchers have gradually and increasingly started making use of the Servperf scale. As those dimentions are not the same in consumer versus a business context, the measurement perceived service quality in B2B context needs to include other determinants than those used in B2C context. To address the research objectives the following hypothesis were developed.

Ha1: There is a significant difference between tangibility of private and public banks.

Ha2: There is a significance difference between reliability of private and public bank.

Ha3: There is a significance difference between responsiveness of private and public banks.

Ha4: There is a significance difference between competency of private and public banks.

Ha5: There is a significance difference between service portfolio of private and public banks.

Materials and Methods

The present study was carried out to identify the difference between private and public banking sector corporate customers in terms of various dimensions of service quality.

In the present study, both the primary and secondary data which were collected systematically, were used extensively. Primary data were distributed to 460 corporate customers only 270 collected through a questionnaires survey. From collected questionnaires only 230 of item were valid for start analysis. A questionnaire was personally circulated to the managers who were concerned about finance function of the business. The respondent was explained about the purpose of the research. To increase the response rate, reminder telephone call was employed by the researcher. Primary information pertaining to perceived service were collected from two hundred seventy samples from the respondents.

And the secondary data required for the study have been collected from various publications. The base for measuring perceived service quality was Servqual model adopted from (Parasuraman et al., 1988) was modified to meet specific features of business banking service. The modification resulted is the inclusion of eight new items, leaving a total of 23 bank attributes. Thus, out of 23 items, 15 were adapted from Parasuraman et al. (1988). Remaining 8 items were selected from Westbrook and Peterson's (1998). The final set of 23 Bank attributes represented five dimensions: three original. Servqual dimensions tangibles, reliability, responsiveness and two new dimensions, competency and service portfolio. Perceived service quality was assessed with 7-point Likert-type scale, ranging from strongly disagree (1) to strongly agree (7).

Study Area

Addis Ababa and its surrounding are the most industrialized area in Ethiopia. This part of the country surrounded by large number of industry and national trade is concentrated; to condense further the geographical area the researcher selecting a few important cities from the central part of Ethiopia. Four cities with huge banking population and industrial area were taken as sample for survey under the study. The city of Addis Ababa, Burayu, Bishoftu and Mojo are representative the whole of Ethiopia. The manufacturing, construction and service sector plays key role in the Ethiopian economy. The industries in this area have been selected by stratified sampling technique.

The collected data are tested for its normality, data adequacy KMO and Bartlett‟s tests are applied, and reliability is done using the Cronbach‟s Alpha Test. The following statistical process were applied to analyse the data.

Normality

An evaluation of the normality of data is a precondition for many statistical tests as normal data is an underlying hypothesis in parametric testing. So, the data set is tested for normal distribution. The term normal distribution refers to a particular way in which observations will lean to pile up around a particular value rather than be spread evenly across a range of standards. In this study the Kolmogorov-Smirnov test is used for checking the normality.

If the Kolmogorov-Smirnov Z test give in a significance level of less than 0.05, it means that the distribution is not normal. If the Kolmogorov-Smirnov Z test give in a significance level of more than 0.05, it means that the distribution is normal.

Table 1: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
service_quality	.042	230	.200*	.996	230	.774
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

The normality test result as shown in the above table was appeared in the SPSS Output window. The p values. 200 and. 774 from Shapiro-Wilk test of normality are both greater than 0.05 which imply that it is acceptable to assume that the weight distribution is normal

Independent Sample T Test

An independent sample t test is used when it is required to compare the mean score on some continuous variable for two different groups of subjects. The main objective of this study is to identify differences between the private and public banking sectors in terms of service quality perceptions. This test will explain whether there is a statistically significant difference in the mean scores for the Ethiopian private and public banking sectors. The p value needs to be less than 0.05, for the t test to be termed as significant. The researcher considered the use of the Independent Samples t-Test as the best technique to address the research objective.

Reliability

The test of reliability is an important test of measurement scale. Reliability has to do with accuracy and precision of a measurement procedure. Reliability is the extent to which a scale produces consistent results if repeated measurements are made on the characteristic (Malhotra, 2004). Reliability of the scale measures is tested with the Cronbach Alpha value, which best reflects the internal consistency of the indicators that measure each construct (Churchill, 1979). The concept of internal consistency is that the individual items or indicators of the scale should be measuring the same construct and thus be highly correlated. By running Cronbach‟s coefficient alpha test, the researcher attempted to further test for the scale construct after conducting factor analysis. The internal consistency reliability of the measures used in this study was considered to be very good. Since the Cronbach's Alpha value is more than the minimum acceptable level (0.7), it is reliable.

Table 2: Cronbach Alpha value

Reliability	Cronbanch's Alpha
Responsiveness	.848
Reliability	.947
Tangibility	.770
Competency	.774
Product portfolio	.824

The analysis of Independent Samples T-Test was used to explore the differences in the mean values of dependent variables between the two groups of customers (private banks and public bank customers). The testing of the hypotheses assumes that the confidence level is 0.05, which is generally accepted by social science researchers.

Results & Discussion

Companies' Profile

The frequency distribution and cross tabulation of corporate bank respondents, sector, type of business, number of employees, annual turnover, and type of service are given in the Tables 4.1 through 4.5

Table 3: Business profile of the sample is presented in the table

	Item	Percentage
Sector	Manufacturing	41.3
	Construction	30.9
	Service	27.8
Type of business	Small	63.0
	Medium	22.2
	Large	14.8
Number of employees	1 to 10	22.6
	11 to 50	24.3
	51 to 100	26.5
	101 to 250	18.3
	Above 250	8.3
Annual turnover in your company	<50,000	6.5
	50001 to 100,000	23.5
	100,001 to 500,000	22.2
	500,001 to 1500,000	18.3
	1,500,001 to 3,000,000	15.7
	Above 3,000,000	13.9
Type of service your business uses	Deposit service	70.0
	Credit Facility	5.7
	Transfer	.9
	Foreign banking	1.3
	Deposit and credit	5.7
	Deposit and Transfer	12.2
	Deposit, Credit, and Foreign	2.2
	Deposit, Credit, Foreign, and Transfer	1.3
	Deposit, Credit and Transfer	.9
Main bank used by your company	public bank	39.1
	private bank	60.9

Among the 230 respondents in the sample, 41.3 per cent were manufacturing, 30.9 percent were construction and 27.8 per cent were service business organization manager and financial manager. The unit wise classification reveals that small units has taken the most of the share (63 percent), followed by medium business units (22.2 percent), and the least share (14.8percent) are the large type of business units. To conclude, that a majority of the units are the small type of business units.

Most of the respondents (73.5 per cent) had less than 100 employees. More than 50 per cent of business in the sample had all less than 500,000 Birr annual turnovers. The deposit

service users are 70 percent of the respondents indicated that the main purpose was depositing their money. Respondents who use private banks accounted for more than 60 percent of the sample. The remaining 39.1 percent are public bank customers; this indicates that most of business customers prefer private banks.

The analysis of Independent Samples T-Test was used to explore the differences in the mean values of dependent variables between the two groups of customers (private banks and public bank customers). The testing of the hypotheses assumes that the confidence level is 0.05, which is generally accepted by social science researchers.

Data analysis

Table 4: Group Statistics

	Main bank used by your company	N	Mean	Std. Deviation	Std. Error Mean
Reliability1	public bank	90	.1450503	1.04646162	.11030674
	privet bank	140	-.0932466	.96121497	.08123749
Responsiveness1	public bank	90	-.3245110	.89745550	.09460012
	privet bank	140	.2086142	1.00983152	.08534634
Portfolio1	public bank	90	-.3020190	.96257653	.10146447
	privet bank	140	.1941551	.97836258	.08268673
Competency1	public bank	90	.0905364	.99709921	.10510349
	privet bank	140	-.0582020	1.00109160	.08460768
Tangibility1	public bank	90	.2084979	.94477396	.09958792
	privet bank	140	-.1340344	1.01475177	.08576218

Table 5

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Reliability1						.078
	Equal variances not assumed			1.739	178.167	.084
Responsiveness1	Equal variances assumed	2.886	.091	-4.078	228	.000
	Equal variances not assumed			-4.184	205.620	.000
Portfolio1	Equal variances assumed	.004	.949	-3.777	228	.000
	Equal variances not assumed			-3.791	192.191	.000
Competency1	Equal variances assumed	.015	.903	1.101	228	.272
	Equal variances not assumed			1.102	190.500	.272
Tangibility1	Equal variances assumed	.059	.808	2.566	228	.011
	Equal variances not assumed			2.606	199.649	.010

Hypothesis 1

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

The Independent Samples T-Test analysis showed significant differences between the private and public banking sectors regarding the responsiveness items, where (f) value is equal to 2.886 and is significant at the level of 0.000, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 1 is accepted and it may be concluded that there are significant differences in perception between customers of the private and public banking sectors regarding the responsiveness items as indicators of service quality.

Hypothesis 2

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

The Independent Samples T-Test analysis showed significant differences between the private and public banking sectors regarding the reliability items, where (f) value is equal to 1.708 and is significant at the level of 0.084, which is higher than the acceptable confidence level (0.05). Therefore Hypothesis 2 is rejected and it may be concluded that there are no significant differences in perception between customers of the private and public banking sectors regarding the reliability items as indicators of service quality.

Hypothesis 3

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

The Independent Samples T-Test analysis showed significant differences between the private and public banking sectors regarding the tangibility items, where (f) value is equal to 0.058 and is significant at the level of 0.01, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 3 is accepted and it may be concluded that there are significant differences in perception between customers of the private and public banking sectors regarding the tangibility items as indicators of service quality.

Hypothesis 4

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

The Independent Samples T-Test analysis showed significant differences between the private and public banking sectors regarding the competency items, where (f) value is equal to 0.015 and is significant at the level of 0.272, which is greater than the acceptable confidence level (0.05). Therefore Hypothesis 4 is rejected and it may be concluded that there are no significant differences in perception between customers of the private and public banking sectors regarding the competency items as indicators of service quality.

Hypothesis 5

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

The Independent Samples T-Test analysis showed significant differences between the private and public banking sectors regarding the Portfolio items, where (f) value is equal to 0.004 and is significant at the level of 0.00, which is lower than the acceptable confidence level (0.05). Therefore Hypothesis 5 is accepted and it may be concluded that there are significant differences in perception between customers of the private and public banking sectors regarding the Portfolio items as indicators of service quality. In short, the above analysis shows that there is a significant difference between public and private sectors bank with respect to the responsiveness, product portfolio and over all service quality dimensions and it is should be noted that this difference is in favour of private sector. Additionally, it is mentioned that there is a significant difference between public and private sectors with regard to the tangibility dimension and it is also concluded that this difference is in favour of public sector. This research also pointed out that there is no significant difference in perception between public and private bank sectors with regard to the reliability and competency dimensions

Conclusion

Service quality is vary according to the nature of the services and in this case, of private sector banks are compared with public sector banks, private bank were out perform with their bank because of their responsiveness and product portfolio which supports the view that private banking sector outperform the public banking sector. But when we talk about public sector banks customers of public sector banks were out perform with tangibility dimension. Regarding high perceived service quality of public and private banks, the findings of the research suggest that there is a significant difference between public and private sectors with respect to the responsiveness and product portfolio dimensions and it is should be noted that this difference is in favour of private sector. Additionally, it is mentioned that there is a significant difference between public and private sectors with regard to the tangibility dimensions and it is also concluded that this difference is in favour of public sector. This research also concludes that there is no significant difference in perception between public and private bank sectors with regard to the competency and reliability dimensions. This research also found out that there is significant difference in perception between public and private bank sectors with regard to the all service quality dimensions taken together.

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