

CUSTOMER SATISFACTION OF LOAN SERVICES IN GHANAIAN BANKS: A CASE OF BARCLAYS BANK GHANA LIMITED

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Abstract

The purpose of this study is to evaluate the level of customer satisfaction with loan services in the banking industry. The study uses the service quality of loan facilities at Barclays Bank Ghana Limited as a case study. Through a stratified random sampling method, seventy (70) respondents of the bank's branch in Nkawkaw in the Eastern Region of Ghana were selected to participate in the study. Questionnaires and interviews were used to measure the respondents' level of satisfaction with the bank's loan services and other service quality dimensions. The data gathered were analysed using SPSS (Version 16.0) and presented by the use of statistical models such as graphs, charts, and tables. It was observed that the customers were generally satisfied with the loan services when assessed on 12 service quality dimensions. Interest rates, account charges, company reputation and past experience with the bank were found to be important factors in attracting the customers. Existing customers are also willing to recommend the bank to their reference group. These factors are useful for strategic decisions.

Key words: Customer satisfaction, Loan services, Banking industry, Ghana

A Introduction

Customer satisfaction has been a fundamental concept in marketing literature for more than three decades (Parker and Mathews, 2001). It is widely recognized in the manufacturing and service sectors that customer satisfaction is a major performance indicator and a very important key to success for business organizations (Mihelis et al, 2001). However, the intangible nature of customer satisfaction makes the term hard to measure. Because of this difficulty, many researchers try to discover the antecedents and consequences of customer satisfaction in order to provide a better understanding of how it helps to increase market share and profitability, reduce cost and enhance product or service performance as well as internal quality control (Zeithaml et al, 1990; Anderson and Sullivan, 1993).

Banking is a service that encapsulates all the characteristics of the service industry (Chakrabarty, 2006). In retail banking, most of the customer evaluation models focus on a comparative judgement of expectations versus perceived performance resulting in customer satisfaction (Murphy, 1996; Smith, 1992).

Charkrabarty (2006) for example, identifies the determinants of bank customer satisfaction by comparing the customer's pre-consumption expectations to actual performance received. Through this study (Chakrabarty, 2006), four satisfaction factors were identified: in- branch satisfaction, economic satisfaction, remote satisfaction and ATM satisfaction which are now recognized as major factors that constitute bank satisfaction in modern retail banking..

The liberalization of the financial market in 1988 has significantly increased the number of financial institutions operating in the banking industry in Ghana. The attractive nature of the Ghanaian banking industry has also drawn

some major foreign banks into the country to catch up with their major clients, most of whom are currently doing business in Ghana (Mensah, 1997; Daily Guide, 2013). Local banks, rural banks and other micro-finance companies have either been set up or expanded their operation in the country.

The expansion has not only significantly deepened the level of competition but it has also compelled the institutions in the sector to introduce innovative ways of satisfying their customers (Akuffo-Duah, 2011).

Consequent to the liberalization of the financial sector has been an increase of loan acquisition by both individual customers and corporate bodies such as working capital loans, vehicle and assets loans, term loans and overdraft.

The banking industry in Ghana has expanded in the last decade growing by 35.4% and 26.4% between January and October 2010 and 2011 respectively (The Ghanaian Times, 2011). As a result, banks are expected to position themselves well to be able to effectively secure their market share (PWC, 2012). With banks becoming larger through merger and acquisition, and introducing new products and services, the question that may be asked is: are the financial institutions meeting the needs of customers?, and what are the elements of retail banking which lead to the satisfaction or dissatisfaction of customers?

Bank customer satisfaction could be regarded as the bank fully meeting the customers' expectation (Bloemer et al, 1998). According to Jamal and Naser (2002), it is the feeling or attitude formed by bank customers after service, which directly link to the various purchasing behaviour.

Previous research into bank customers' satisfaction suggest that customer satisfaction leads to a better retention of customers, more profit , and increased customer loyalty to banks (Reihheld and Sasser, 1990 ;Rust and Zahorik, 1993; Buzzell and Gale, 1997).

Customers' desire for satisfaction is thus a constant reminder to the banks to improve service quality, provide innovative products and efficient bank management in order for the banks to survive in today's fierce and competitive global financial market (Anderson et al, 1994; Cohen et al, 2006).

To achieve this, the financial institutions are expected to reach out to their potential customers in a very individual way (Robins, 2003), so as to persuade them to take some action to purchase products and services on offer, now or in the future (Bauer et. al, 2005; Faraz and Seyedreza, 2011). The claim that it costs five to eight as much to get new customers than to hold on to old ones is also key to understanding the drive towards benchmarking and tracking customer satisfaction to foster long term relationship (Bauer et. al, 2005; Goodman, 2009).

The study of customer satisfaction especially in retail banking has gained attention in recent times (Oliver,1997;Zairi, 2000).Most of these

studies (Levesque and McDougall, 1996; Zeithaml and Bitner, 2000)have rather been conducted on advanced economies; those that exist on a developing nation like Ghana also tend to focus their attention on customers' satisfaction with general products and services (rather than on specific products and services)which does not enable the institutions to properly implement strategies that could enhance maximum customer satisfaction.

As an attempt to fill the existing gaps in literature, this study provides an insight into the relationship between the quality of loan services and customer satisfaction in the Ghanaian banking industry. The objective of this research is:

- To identify the factors that influence customers' choice of Barclays Bank for loans
- To determine the dimensions of service quality that contribute to customer satisfaction with Barclays Bank's loan services
- To establish the level of satisfaction with the services received by loan customers at Barclays Bank
- To ascertain customers' behavioural intentions (referral and repeat business) towards Barclays Bank

B Literature Review

i. The concept of customer satisfaction

The importance of customers has been highlighted by many researchers and academicians. According to Zairi (2000), organizations should focus on satisfying the needs of customers since they account for why businesses exist and the purpose of the activities they undertake.

Satisfaction refers to a person's feelings of pleasure or disappointment resulting from

comparing a product's perceived performance (or outcome) in relation to his or her expectations (Kotler, 2001).Customer satisfaction emerged as a distinct area of inquiry in the 1970s (Churchill and Surprenant, 1982). In today's marketplace however, customer satisfaction has become a good business practice that every business strives to accomplish in the wake of competition in the global market (Szymanski and Henard, 2001).

As noted by Hanesmark and Albinsson (2004), customer satisfaction is related to customers overall attitude toward a service provider, or their emotional reaction to the difference between what they perceive, or anticipate as against what they receive regarding the fulfilment of some need, goal or desire.

Largely, customer satisfaction deals with a consumer's fulfilment response (Oliver, 1997). Consequently, Oliver (1997) further argues that customer satisfaction is:

a judgement that a product or service feature, or the product service itself provided or is providing a pleasurable level of consumption-related fulfilment, including levels of under-over fulfilment.

ii. Determinants of customer satisfaction

A number of studies (Fornell et. al., 1996; Yu et. al., 2005; and Zeithanml et. al. ,2009) have identified some factors that could be used to determine the level of customer satisfaction and these include: customer's expectation, perceived service quality, product quality, perceived value and price.

The influence of price on customer satisfaction has for instance, gained prominent attention in a number of studies(Anderson et al., 1994; Salvador et al., 2006). Price has two dimensions: the objective price paid (monetary) and the cost of obtaining the service, according to Salvador et al.(2006). This study (Salvador et al.,2006) further observes that price should include value, benefit and cost, because customers receive value when the benefit from a product or service is more than the cost of buying it.

It can also be added that customer satisfaction is dependent on value. Anderson et al., (1994:54) explain value as the ratio of perceived quality relative to price or benefits relative to costs incurred.

The price paid for a product or service plays an important role in influencing customer's satisfaction and loyalty to a company (Anderson et al., 1994; Bei and Chiao, 2001). This factor is also important because a customer's perception of price has a positive impact on satisfaction and behavioural intentions (Jiang and Rosenbloom, 2005).Price (bank interest, charges etc) could be a determinant of satisfaction in banking service especially where the competition is very fierce with little product differentiation.

The perceived service quality of a product or service can also determine customer satisfaction. This concept assumes that customers come into a service encounter with prior expectations; these expectations are then matched with the actual service experience to determine the service quality of that organization (Zeithaml et al., 1985; Gronroos, 1990).

This concept uses the service quality models (which include the gaps, SERVQUAL, the Technical / Functionality Quality model, and the SERVPERF scale) to justify the processes that lead to customer satisfaction.

On the whole, the models suggest that the customer is satisfied if actual service experience meets expected service. However, the customer becomes dissatisfied if actual service falls below expected service. Furthermore, the customer is delighted if actual service served exceeds expected service. Studies (such asZeithaml et al., 1988; Anderson and sullivan, 1993; Boulding et al., 1993; Fornell et al., 1996) have confirmed that service quality is an antecedent to customer satisfaction.

The service quality models are discussed as follows:

iii. The Gaps model of service quality

Identifying five service quality gaps (listed below) that can lead to poor quality of services delivered by an organization, this model suggests that service quality is the difference between customers' expectations and customers' perceptions of the actual service delivery (Zeithaml et al (1985)). These differences otherwise called an obstacle to achieving quality are referred to as gaps and are highlighted as follows:

- Gap 1- The listening gap:** the difference between customers' expectations and an organization's perception of customers' expectations.
- Gap 2- The service design and standards gap:** the difference between an organization's perception of customers' expectations and the customer-driven service designs and standards.
- Gap 3- The performance gap:** the difference between customer-driven service design and standards and the service delivery.
- Gap 4- The communication gap:** the difference between the service delivery and the external communication with customers.
- Gap 5- The Customer gap:** the difference between customer's expectations and the perceptions of service provided by an organization.

It should be noted that the first four gaps, also known as the "provider's gaps" give rise to the customer gap 5. To close the customer gap, providers must close the first four gaps in the order presented.

iv. The SERVQUAL Scale of measuring service quality

The SERVQUAL model was developed by Zeithaml et al (1988) to measure the quality of service on five identified quality dimensions. This scale is designed to measure the difference between customers' expectations and perceptions (gap 5) on a 22-item scale, representing five service quality dimensions explained below.

1. **Reliability:** How well can the company deliver on its promises dependably and accurately?
2. **Assurance:** Knowledge and courtesy of employees and their ability to inspire trust and confidence.
3. **Responsiveness:** Willingness to help customers and provide prompt service
4. **Empathy:** Care or individualized attention the firm provides its customers
5. **Tangibles:** Appearance of physical facility, equipment and staff.

v. The SERVPERF scale

Also known as the "performance only" model, the SERVPERF scale, was developed by Cronin and Taylor (1992) to address the measurability and definition challenges of the expectation construct of SERVQUAL by using only performance instead of expectations.

It assumes that respondents in providing their ratings have unconsciously compared performance perceptions with expectations, and measuring expectation again is a redundancy.

Although the SERVQUAL has enjoyed wide application across different industries and countries than this model, studies (Babakus and Boller, 1992; Brady et al., 2002) have suggested that the SERVPERF scale showed

superior results when applied in conjunction with the SERVQUAL scale.

On the contrary, a research conducted by Quester and Romanik (1997) suggested that the SERVQUAL is a better predictor of service quality than SERVPERF. Carrilat et al, (2007) in their bid to end the long standing debate between the two models, concluded that both models are adequate and equally valid predictors of overall service quality using meta-analysis.

vi. The Technical/Functional quality model

The technical/functional quality model was originally conceptualised by Gronroos (1982). Technical quality refers to the quality of what is provided while functional quality (process quality) refers to the quality of how it is provided.

Technical outcome involves the actual competence of the provider and the technical outcome of the product. While this is considered difficult to evaluate due to the lack of knowledge on the part of the consumer, functional quality (or process quality) is more easily judged.

Functional quality on the other hand, refers to the delivery of the service. Its elements include courtesy, confidence and attentiveness. These form the bases of the customer's evaluation of the service provider and service provided.

In banking, this would be judged through an evaluation of the personnel's efficiency and speed in dealing with problems as well as the opening or closing hours of the bank. Effectively, once technical quality has attained an acceptable level, functional quality becomes more imperative in determining the overall perception of the service (Gronroos, 1982).

Due to the relative speed in which innovations in products and other aspects of technical quality of the banking service may be

replicated, this is highly indicative of the heightened importance of the functional aspects of the service.

vii. Customer satisfaction and behavioural intentions

A number of studies (including Zeithaml et al., 1988; Anderson et al., 1995; Cronin et al., 2000; Saha and Theingi, 2009) have linked customer satisfaction to customer behavioural intentions. Fishbein and Ajzen (1975) defined behavioural intentions as a customer's subjective likelihood of performing certain behavioural acts relative to a business. These behavioural intentions when managed well can increase a firm's profitability and long-term competitiveness.

Customer behavioural intentions include; word-of-mouth (both positive and negative), repurchase intention, feedback to the service provider (usually in a form of complaints or compliments). Saha and Theingi (2009:354) have described "word-of-mouth" as "...a flow of information about products, services, or companies from one customer to another; this represents a trusted external source of information by which customers can evaluate a product or service. According to Saha and Theingi (2009), the information through this means is trusted because of the difficulty in trying out a service prior to purchase or returning a service after experiencing it (unlike products). Therefore, customers usually depend on the experience of others before buying a service (most of the time).

The information shared could either be encouraging (positive) or discouraging (negative) to potential customers. Goodman (2009) indicates that while satisfied customers tell on the average five(5) other people, dissatisfied customers tell about ten (10) other people. Other researchers (Brown et al., 2005; Theingi, 2009) have found a positive correlation between customer satisfaction and word-of-mouth communication.

viii. Customer satisfaction and customer loyalty

According to a study done by Xerox (cited in Heskett et al., 1997), customers who are very satisfied with the services of a firm are 100% more loyal than extremely dissatisfied customers.

The term "apostle" was used to describe very loyal customers because of the positive word-of-mouth they spread on behalf of a company. On the other hand, extremely dissatisfied customers were termed "terrorists" due to their likelihood to spread negative word-of-mouth about a company with devastating consequences as this spreads farther than positive recommendations.

C Methodology

Questionnaires (mainly open ended) and interviews were used to gather data for the study. The data collected were analyzed using Statistical Package for the Social Sciences (SPSS) (version 16.0) and presented by the use of statistical models such as graphs, charts, and tables. The population of the study was made up of all the staff and loan customers of the Nkawkaw Branch of Barclays Bank Ghana limited. A sample size of seventy (70) was chosen for the research through a stratified random sampling method as shown below:

- Group 1:** Loan accounts of less than 6 months {15 members}
- Group 2:** Loan accounts of 6-12 months {15 members}
- Group 3:** Loan accounts of 12-24 months {15 members}
- Group 4:** Loan accounts of 24 months and above {15 members}
- Group 5:** Management and staff of Barclays branch {10 members}

Members of group 1- 4 (loan customer group) were chosen using simple systematic sampling by selecting the even numbered customers from a list of loan customers compiled in descending order of total loan customers' area. Members of the management and staff group were chosen on purpose depending on the propensity of members to be of relevance to the research.

D Summary of Findings/results

i. Factors that influence customers' choice of Barclays bank for loans

With regards to the factors that influence customers' choice of Barclays Bank for loans, it was observed that price of loan products (interest rates and accounts maintenance charges) is the most important (4.8). This is followed by company reputation (3.93) and prior experience (4.87). Other factors: working with a local bank, wider products and services, and recommendation by friends and family were the least important. These are illustrated in table 1.

As per factors important to customers by gender, the most important to female customers is prior experience with the bank (4.0), while males are more influenced by price. Working with a local bank is somewhat important to females than it is for males. Table 2 summarizes the findings on the factors relating to the choice of Barclays Bank loans by gender.

As to the factors important to respondents in their choices of specific loans, the following were established (as illustrated in table 3): Price of product and prior experience are more

important with personal loans whereas in the case of scheme loans, price of products and company reputation are more important than other factors.

ii. The dimensions of service quality that contribute to customer satisfaction with

Barclays Bank in terms of loan services

Table 4 provides the twelve set of dimensions which were used to measure the respondents satisfaction of the service delivered by Barclays Bank.

From the aforementioned table, the study showed that all the dimensions are important to respondents. However, they find D2, D4 and D11 (the staff are professional and knowledgeable, I was kept informed throughout the application process, and company offers competitive prices) as being the most important in terms of satisfaction with service quality.

D12 (the company tries to understand my specific needs) is however rated as the least satisfied dimension by the respondents.

iii. The level of satisfaction of loan customers

The research showed that on the whole customers are satisfied with the services at the Nkawkaw branch of Barclays Bank. 32% of respondents are very satisfied, 30% are satisfied, 32% are somewhat satisfied and 7% are dissatisfied. This indicated that more than

60% of respondents are happy with the service delivery of the bank. These are depicted in figure 1.

As for overall satisfaction per gender, out of the 19 very satisfied respondents, 14(74%) were male while 5 (26%) were female. Male respondents were also twice (12) as satisfied as female respondents (6). The research also shows that more than 50% of both males and females are satisfied with the service delivery of the bank in terms of loans.

Overall satisfaction and types of loans also showed that scheme loan customers are more satisfied than those of personal loans (60-85%).

iv. Customers' behavioural intentions (referral and repeat business) towards Barclays Bank

On the likelihood of future business of respondents, 67% of the respondents (40% likely and 27% very likely) are likely to go back to Barclays Bank for loans in the future.

On the likelihood of future business with gender and types of loans, the results show that there is high likelihood for respondents to return to Barclays Bank Nkawkaw Branch as per gender and types of loans.

As to the likelihood of respondents to recommend Barclays bank to other loan customers, the research showed that 70% of respondents would recommend the Bank to other prospective customers when it comes to loan services.

E Conclusions

The study shows that price of loan products and service, company reputation and prior experience with the bank are the most important factors that influence customers' choice of Barclays Bank for loans.

The factors that are not important to customers in deciding to take a loan from the

bank include: working with a local bank, products and services, and recommendation from friends and family.

However, working with a local bank is an additional factor that influences female customers' choice of Barclays bank. Customers who have scheme loans with the bank are

more influenced by price of products and company reputation than other factors as this group of people may not be customers and therefore prior experience with the bank may be absent.

The study also revealed that all the service quality dimensions contribute significantly to customer satisfaction with Barclays bank credit products and services. It also showed that customer satisfaction is between "somewhat satisfied" to "satisfied". The dimension with the highest satisfaction is D2 (the staff are professionals and knowledgeable) while D12 (the company tries to understand my specific needs). This means that the customers generally perceive the bank staff to have the requisite knowledge or expertise to meet the peculiar needs of each customer.

The findings are consistent with the findings of Hinson et al (2006) which suggest that customers within the banking industry of Ghana are not very satisfied with service delivery. The study by Hinson et al (2006) also identified the human aspects of service delivery to be doing better than the other dimensions. However, their study was done on the services of the whole banking industry

F Recommendations

The researchers recommend that in order to reduce the "perceived" level of lower personalization of the loan service, the bank should involve the customers at all levels of the loan application process through to its repayment stage.

Also, to reduce the turn-around-time of the loan application process, the bank should introduce an electronic system which will

unlike this one which focuses on customers' satisfaction with loan products and services.

The findings of this study again revealed that customers are generally satisfied with the level of service delivery in terms of loan products and services of Barclays Bank (Nkawkaw branch). Even though most customers are satisfied, those who have scheme loans are more satisfied than those on personal loans. However, customers are not particularly happy about the turn-time of loan application. The respondents were of the opinion that it takes too long to get loans approved as compared with others within the industry.

The findings show that more than half of the customers who have already taken loans are likely to go back to Barclays bank for a loan in the future. It also indicates that satisfied customers will be willing to communicate positively to other people about the loan products and services of the Nkawkaw branch of Barclays Bank, with an overall NPS score of about 17%. However, NPS score for the female customers is -2%, meaning that female customers may not be involved in word-of-mouth as much as male customers (as the latter already constitute the bulk of loan customers).

allow all loan applications to be processed in real time.

Additionally, customer satisfaction survey should be developed and used frequently to gather information on how to improve the service. To improve the NPS score of female customers, the bank should introduce communication lines that will encourage this customer group to report and have their complaints addressed.

G Direction for Further Research

Future researchers could use a bigger sample of respondents and/or a different research instrument to determine how consumers of different ages, class or culture (relevant demographic variables) respond to the subject matter.

Future research should also explore customer satisfaction on other products and services of Barclays Bank, and the results should possibly be compared with other banks.

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APPENDIX

Table 1: Factors important to respondents in their choice of Barclays Bank loans

Factors important to respondents in their choice of bank	Average score
Price of the product (charges and interest rates)	4.28
Company reputation	3.93
Prior experience with Barclays bank	3.87
Working with a local or community bank close by	2.62
Wider range of products and services	2.52
Recommendation by friends and / or family	2.28

Source: Field Study, 2012

Table 2: Factors important to respondents in their choice of Barclays bank loans by gender

Factors important to respondents in their choice of bank Score (Male)	Average	Average score (female)
Price of the product (charges and interest rates)	4.2	3.5
Company reputation	3.4	3.4
Prior experience with Barclays bank	3.6	4.0
Working with a local or community bank close by	3.0	3.8
Wider range of products and services	3.5	3.2
Recommendation by friends and / or family	2.3	2.8

Source: Field Study, 2012

Table 3: Factors important to respondents in their choice of specific bank loans

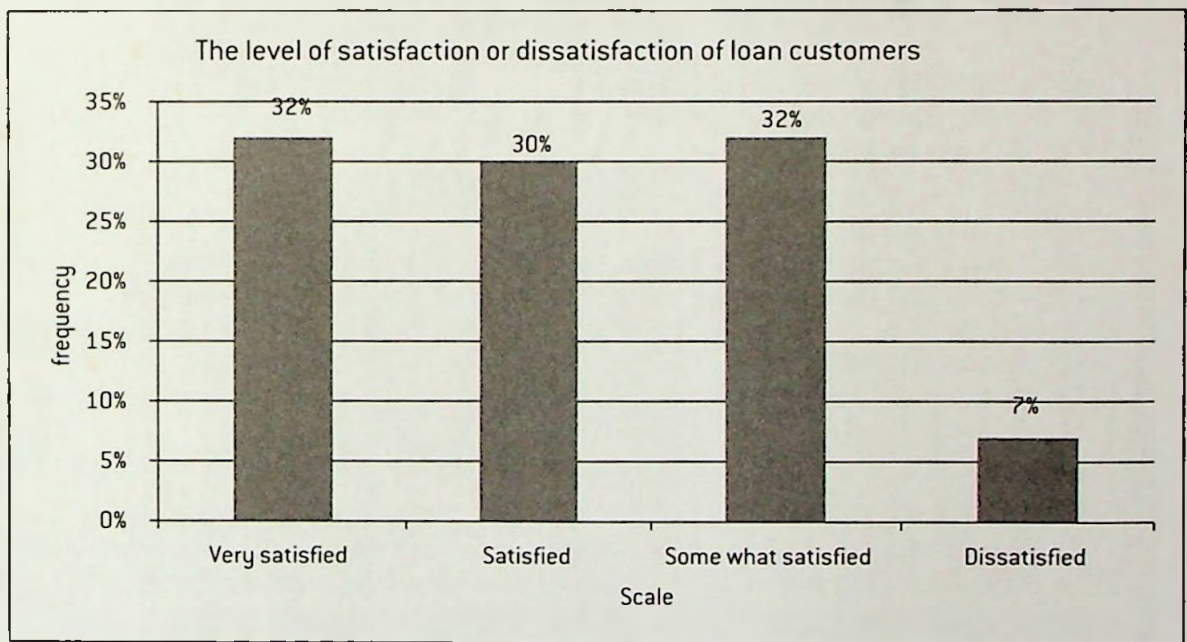
Factors important to respondents in their choice of specific bank loans	Average score Personal loan	Average score Scheme loan
Price of the product (charges and interest rates)	4.2	4.0
Company reputation	3.5	4.3
Prior experience with Barclays bank	3.8	3.8
Working with a local or community bank close by	2.5	2.5
Wider range of products and services	2.3	2.0
Recommendation by friends and / or family	2.0	2.2

Source: Field Study, 2012

Table 4: The twelve (12) dimensions measuring customer satisfaction with service quality at Barclays Bank

SERVICE QUALITY DIMENSION	
D1	The staff were courteous in their interaction with you
D2	the staff were professional and knowledgeable
D3	The application process was thoroughly explained
D4	I was kept informed throughout the application process
D5	I was offered a convenient closing date
D6	The closing was completely smooth
D7	My requests/questions were promptly answered
D8	The company provides error-free records
D9	The company provides user-friendly transaction statements
D10	The staff were always willing to help
D11	The company offers competitive charges and interest rates
D12	The company tries to understand my specific needs

Source: Field Study, 2012



Source: Field Study, 2012

Figure 1: The level of satisfaction or dissatisfaction of loan customers

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