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**THE STUDY OF SERVICE QUALITY IN LIBYAN
COMMERCIAL BANKS**

Mohamed Ammar Elmadani

A thesis submitted to the University of Huddersfield in partial fulfilment of
the requirements for the degree of Doctor of Philosophy

The University of Huddersfield Business School

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ABSTRACT

Banking services are perhaps the largest industry that caters to -the needs of various segments of the population reflecting the diverse Diasporas of the society. Moreover perceived service quality tends to play a significant role in high involvement (high, interaction between customers and service providers) industries like banks. Also, banks often have long-term business relationships with customers. In addition, the banking sector is large enough to capture and represent almost all the critical features of the customer-perceived service quality and the critical dimensions of excellence that the management may have to encounter, in order to effectively manage a service organisation.

However, there is considerable lack of literature with respect to service industry management, especially in the banking industry of developing economies. Therefore an analysis of banks in the Libya from a 'service-quality perspective' may sound interesting at this juncture. Such an investigation is vital for the bankers in order to enhance their business performance.

Service quality plays an important role in the success of any organization generally but especially in the banking sector. This importance increased after a link was found between service quality and customer satisfaction, customer loyalty and financial performance.

In the Libyan economy, the banking sector is one of the most important. Its significance increased after the 2003 lifting of the United Nations sanction. This was followed by entry to the sector of a number of domestic and multinational firms. Despite this increased competition, domestic banks are still widely considered to suffer from low levels of service quality. Therefore, the main purpose of this study is to examine and compare expectations and perceptions from customers and bankers regarding the service quality provided by the commercial public and private banks in Libya.

After an extensive review of the extant literature related to the Parasurman, Berry and Zeithaml (1985) Gap Model and the use of the SERVQUAL instrument to measure service quality, this study found that there was a gap in the literature regarding empirical research using the extended Gap Model to evaluate service quality in the banking sector. Therefore, the extended Gap Model has been used to examine service quality in Libyan commercial banks and SERVQUAL used to measure the service gaps. The resulting

instrument is intended to help these banks to measure their service quality and focus on the service quality dimensions of most importance to their customers. It is also expected that this instrument, and its results, will contribute to future research into service quality.

Both questionnaires and semi-structured interviews were employed to fulfil the study objectives. The questionnaire aimed to investigate the implementation of service quality in the Libyan banks sector, while, semi-structured interviews with managers aimed to gain an understanding of themes which had emerged from the questionnaire.

The findings of the present study have produced some important results. Firstly, there are significant differences between the Libyan private and public banking sectors in terms of customer and bankers' standpoints of service quality. Secondly, customers' expectations of banks services were higher in the private banks than in the public banks. Thirdly, customers' perceptions of the banks services were higher in the public banks compared with the private banks. Forthly, the gap between customers' expectations and perceptions of services provided by public and private banks is generally widest in public banks in the majority of the 22 items. Fifthly, employees' perceptions of customers' expectations in both banks had high scores in the bank's service quality. Finally, the results also show that the interviews provided another layer of information that contributed extremely well to the overall understanding of the service quality in Libyan commercial banks.

The study has made an original contribution to the academic and practical knowledge of service quality. This study contributes to the understanding of service quality in terms of the Libyan banking context. The added value of this study emanates from the fact the research was conducted in Libya (a developing country with an extremely limited amount of service quality research conducted therein), and the fact it measured and assessed the service quality in both Libyan private and public banking sectors which form, along with the central bank, the entire Libyan banking system.

Key Words: Service quality, public banking sector, private banking sector, Libya, service quality measurement.

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Now that I have the opportunity to express my gratitude to all of them, first and foremost I would like to state how indebted and grateful I am to my direct supervisors, Howard Jackson and Mohammed Mirza. Their wide knowledge and logical way of thinking have been of great value to me. Their guidance, encouragement, support and invaluable professional advice have had an enormous impact on my thesis. I have known them as compassionate and principled persons. Their enthusiasm and ability to perceive links in my research has made a deep impression on me. Their continued support and encouragement have kept me going over the last four years and I owe them much gratitude for having shown me this way of research.

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My grateful thanks and gratitude go to the staff of Libyan Commercial Banks for their help. I also acknowledge all respondents who took the trouble to meet me and complete the questionnaire and offer data, suggestions and contributions during my data collection journey in Libya.

Finally, I would like to express my indebtedness and deep gratitude to my mother, father, wife, brothers and sisters for their sacrifices, prayers and patience during the period of this study, and also all relatives and friends who encouraged me to achieve this aim.

DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Huddersfield and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas. Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed: Mohamed Elmadani

Date: 05August 2015

DEDICATION

In the name of Allah most gracious most merciful

To my Father

Who is my first mentor

To my Mother

Who always inspires me with her prayer, love and wisdom

To my Wife

For her love, patience and sharing me every moment during this work without her, it would have been impossible for me to finish this work

To my Brothers and Sisters

Who supported and encouraged me during my PhD journey

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Chapter 1 INTRODUCTION TO THE THESIS

1.1 Introduction

This chapter aims to explain the rationale for conducting this study and to provide a general introduction to the thesis. In terms of this chapter; it is divided into eight sections. Section 1.2 provides a background to the study. Section 1.3 outlines the importance of this study. Section 1.4 presents the focus and justification for the study. The purpose and hypotheses of the study are presented in section 1.5, and section 1.6 briefly introduces the research methodology of the current study. A summary of the subsequent seven chapters which comprise the thesis is illustrated in section 1.7. Finally, a brief summary of this chapter is given in section 1.8.

1.2 Background

Successful service organisations have been making greater efforts to achieve service excellence. Service excellence has become an important organisational response, through which organisations differentiate, compete and win (Berry et al., 1994). They are known to play a fundamental role in the world economy. As a result, concern surrounding service quality issues has increased across all types of service organisations (Zeithaml & Bitner, 1996). In contrast to product quality, service quality is an ambiguous and complex concept owing to the characteristics of services being heterogeneous, intangible, and perishable in terms of production and consumption (Parasuraman et al., 1985). Accordingly, there is very little agreement regarding the description afforded to, and the measurement of, service quality. Subsequently, service quality ambiguity has led to the introduction of numerous service quality initiatives, which have been implemented across numerous organisations spanning all economies. Multifarious approaches have been utilised with the aim of enhancing service quality (Sureshchandar et al., 2001). Moreover, a number of scholars and professionals in this field have highlighted the importance of the concept and the measurement of service quality in various research studies in different sectors (Grönroos, 1984; Berry et al., 1985; Parasuraman et al., 1988; Zeithaml et al., 1990; Cronin and Taylor, 1992; Ghobadian et al., 1994; Liljander and Strandvik, 1995; Othman and Owen, 2002 & Shahin, 2006).

There have been many empirical studies, which have identified the enormous advantages high quality service can confer. First, service quality is considered a critical determinant of competitiveness (Lewis, 1989). Second, there is evidence of a positive relationship between an organisation's performance and perceived quality (Buzzel and Gale, 1987). Furthermore, attention to service quality can help an organisation to differentiate itself from other organisations and through this gain a lasting competitive advantage (Morre, 1987). High service quality is considered an essential determinant of the long-term profitability not only of service organisations, but also of manufacturing organisations (Margolies, 1988). In some industries of manufacturing, service quality is considered a more important order winner than "product quality". So, while cost considerations remain important, it is essential that organisations consider providing superior service as key to their profitability.

Buzzel and Gale (1987) argued that firms, which are perceived to have high levels of quality of services generally enjoy a higher market share, a higher return on investment, and asset turnover than companies with low perceived quality. This has led to the conclusion that in the long term, the most important factor affecting business performance is the quality of "services" and "goods" offered by the organisation, relative to its competitors. For service companies, the service quality they deliver is vital to their competitiveness, but measuring such quality remains a subjective and intangible task.

Despite this, successful organisations of service tend to be those which commit resources and time to achieving high service quality. The role that service industries play in the world economy is becoming more and more important, and as a result, interest in how service quality can be improved is common to most service organisations (Zeithaml and Bitner, 1996). Excellence in service provision has become one of the most important initiatives through which organisations differentiate themselves from their competitors, in order to win new customers and new business, (Treacy and Wiersema, 1993; Berry, Parasuraman and Zeithaml, 1994).

Libya is in the position of competing with a number of countries and regions for a larger world market share. Libya is known to have enjoyed considerable prosperity in the last few years, and has also displayed solid growth, outpacing a number of comparable countries in the region (Porter & Yergin, 2006). Thus, ensuring the enhancement of quality in terms of both services and products has become a fundamental nationwide

concern. Acting in accordance with global service environment changes requires knowledge of, and insight into, the complexity which embraces the service quality concept application and the utilisation of assessment tools.

In recent years, the Libyan economy has witnessed significant changes (Porter & Yergin, 2006), comprising economic reforms, reviews, and the adoption of various policies which have been aimed at restructuring the national economy. Such changes relate to providing a favourable environment and investment climate which is able to facilitate the promotion of domestic and foreign investments, and allow for contributions in the development of the infrastructure and diversification of the economy (Libyan Central Bank of Libya, 2008). Within this framework, a series of measures have evolved with regard to promoting investment and attracting foreign capital to ensure their contribution in terms of the implementation of investment projects, production, and service (Abd-Aslam Eshteivi, 2006). The development and updating of the banking system has commenced with attention focused on the promotion of open competition with commercial banks occupying a pivotal position in the national economy as a store of savings and a major source of economic activity. These efforts have resulted in the enhancement of productive economic activities and the various service components within the Libyan economy which, in 2008, presented a strong marked improvement in growth rates, reaching close to 6.1 compared with 5.6 and 5.9 during 2006 and 2007 respectively (Central Bank of Libya, 2008).

The banking and financial sectors play an increasingly significant role in the Libyan economy (Kumati, 2008). It is a sector which has become more competitive in recent years relative to the situation that previously existed, because of initiatives by the government to begin a phased withdrawal of the industry from state-ownership into private ownership. Alongside this, the state has introduced measure to liberalize access to the banking industry in terms of acquisitions and mergers to encourage major international corporations to enter this sector. Commercial banks will be the main axis of the financial of the financial and banking sector in Libya. As a result of such policies to increase the number of domestic and foreign investors, commercial banks seeking to appear strongly in the marketplace in which there are increasing growth rates over the previous years (for example the increasing growth rate in 2008 to 82.9 % compared with 2008). This is the best evidence for the direction of future growth (Central Bank of Libya,

2008). The management of these commercial banks tended also to differentiate themselves from their competitors through their service quality though overall such banks still suffer from low levels of service quality provided to their customers (Wali, 2004; Shehoumi and Toumi, 2007; Abdelmalek, 2008 and Kumati, 2008).

Libyan commercial banks currently hold a large share of the market, and represent approximately 90% of Libya's overall banking sector assets. The banking sector within Libya is markedly underdeveloped and, as a consequence, the financial options and services are poor and, in general, viewed as inadequate (Saeed and Bampton, 2013).

Within the concept of service quality in the banking and general financial sectors, it can be argued that customer satisfaction and feedback have been, at large, ignored by service providers. As highlighted earlier, there are two main reasons for lack of care for customers. First and foremost, as most commercial banks in Libya have been owned and controlled by the government for many years, there has been no incentive for service providers to consider aspects of customer satisfaction seriously. Secondly, due to lack of competition from abroad, the domestic banks had failed to invest funds in development of new technology and service quality in enhancing customer satisfaction (Central Bank of Libya 2010).

1.3 Importance of the Study

Literature shows that there is a great deal of confusion in terms of the definition of service quality in oriented industry. The best definition of the quality of service based on literature is customer satisfaction. The quality that is what customer expecting from the companies that is important. This study will identify the Gap of customer expectation and perception.

Researchers have debated the issue of public banking sector versus private banking sector, in relation to different business areas and different countries around the world. There is an enormous amount of theoretical and empirical literature that strongly supports the view that the private banking sector is superior to the public banking sector in a number of countries worldwide. For instance, Lynn, Lytle and Samo, (2000) found that in the USA, private banks outperformed state banks in terms of service orientation and financial performance. Another study by Isik (2007) revealed that the private banking sector outperforms the public banking sector in Turkey with regard to productivity growth.

However, there are only two studies which investigated the differences between the private banking and public banking sectors in terms of service quality levels. The first study, carried out in Greece, by Kangis and Voukelator (1997) found that the services offered by banks in the private sector had a more favourable impact on customers' perceptions of quality received than those services offered by banks in the public sector. The second study was conducted in India and applied by Sureshchandar, Rajendran and Anantharaman (2003); the study showed that in terms of customer perceptions of service quality, foreign banks seemed to be performing well, followed by private sector banks and then public sector banks.

The value and originality of this research emanates from the fact that this research will be the first comprehensive study to investigate the differences between the Libyan private and public banking sectors, in terms of perceived service quality. There has been little research carried out in the Libyan banking sector relating to service quality, it can therefore be argued that literature on Libyan banking service quality is scarce and there are few empirical and non-empirical studies covering this topic. For instance, there are only two studies that have explored organisational issues within the Libyan banking sector. One of these studies was undertaken by Twati and Gammack (2007), in which technology levels in the public banking sector were examined, the researchers found that Libyan public banks still deal with customers in an inefficient manual way. The second study was carried out by Elmayar (2007) and measured the levels of service quality in the bank private banks; this study revealed that customers of the bank have high perceptions of service quality.

The limitations of the literature on this topic clearly show that there is a gap in the area of research into Libyan banking service quality. Therefore, this research will aim to fill the gap in the literature thus complementing and adding to previous research by expanding the study of service quality to include Libyan banks, a context that is characterised by the very limited research. A study by Welsh and Raven (2006) on the importance of service quality to both customers and employees in retail settings in a number of Arab countries, concluded that customers and employees in those regions are unique in many ways and that more studies should be conducted to understand service quality in different cultures. Moreover, service quality issues in the banking industry, within developing economies, have long been neglected when compared to research

available in developed economies including Europe and the USA (Angur, Nataragan and Jahera, 1999). The literature clearly suggests conducting research on service quality in different environmental circumstances as culture affects customer perceptions of service quality (Loizides, 2005). This fact motivated the researcher to further investigate and explore this area in Libya, a region that perhaps would benefit greatly from research in the area of service quality.

In terms of marketing, service quality is important because a customer's evaluation of service quality and the resulting level of satisfaction determines the probability of repurchase and ultimately influences outcome measures of business success. Inherent in the improvement of service quality are the interactions between employees, managers and customers, and successful service companies are generally those which best understand their customer's wants and needs (Waite and Stites-Doe, 2000). Furthermore, managers who operate within the financial services sector are aware that competitive advantage and corporate profitability are linked to increased attention to service quality (Petridou et al., 2007). It is thus, essential that bank managers and individuals understand the constituents of service quality, and the ways in which they can be achieved and measured (Lewis, 1989; Bowen & Hedges, 1993; Asubonteng et al., 1996).

Other researchers have highlighted the advantages associated with customer loyalty, responsiveness to demand, customer satisfaction, customer retention, market share growth and productivity ((Berry et al., 1985; Reichheld & Sasser, 1990; Capon et al., 1990; Bolton and Drew, 1991; Berry & Parasuraman, 1991; Anderson et al., 1994; Rust et al., 1995; Lassar et al., 2000; Roberts et al., 2003 and Jabnoun & Al- Tamimi, 2003).

Similarly, there have been many research studies which have verified and supported the notion that significant advantages can be garnered through ensuring service quality improvements. According to Woldie & Dogan (1996), the benefits in terms of corporate performance include: significant improvements in customer retention, greater market share, enhanced staff morale, fewer annual staff turnover rates and errors, lower promotional, advertising, operational, enhanced productivity, profitability and financial performance.

Numerous efforts to improve service quality have been made within the modern banking sector, the majority of which were customer focused (Lynn et al., 2000)

because service organisations must organize quality through the service delivery process in order to avoid any negative effects that poor quality service might have on the business (LeBlanc & Nguyen, 1988).

The importance of service quality within the banking sector in particular has been increasingly recognised in recent years, with greater emphasis and attention being placed on this sector due to the banking industry's changing position as a result of a reduced customer base and subsequent decreased market share (Bowen & Hedges, 1993). Markedly, Bowen & Hedges (1993) noted that these efforts could have a significant impact as regards improving the banks market share decline, resulting, subsequently, in better levels of service quality which are pivotal for retail banking operations.

From a research standpoint, the present study is important as it includes all users of the banks, both customers and employees, of Libyan commercial banks and offers measures to improve the service quality in these banks. Brown & Swartz (1989, pp. 93-94) stated that *"... from a marketing perspective, both parties (management and customers) are very important and must be considered if a more thorough understanding of service quality is to be gained ... the provider (management) would design, develop, and deliver the service offering on the basis of his or her perceptions of customers' expectations "*. Hence, this research attempts to show the importance of service quality management for providing better service in banks to the customers, based on customers and managers points of view. The benefits of offering higher service quality have a positive influence for both the banking sector and for their customers. Some of these advantages include: competitive advantages, productivity improvement, work development, reduced costs and higher profits, higher employee satisfaction and a consequent improvement in productivity, customer satisfaction, and customer loyalty. These advantages have a beneficial effect on both the banking sector and its customers, and it is intended that this study can make a contribution to innovation in the field of banking service quality.

1.4 Focus and Justification for the Study

Whilst there has been a considerable amount of research directed towards the issues of service quality in developed economies, there remains a gap in the existing knowledge regarding the levels of service quality within the financial services sector in developing economies, with Libya being one such economy (Yavas et al., 1997; Angur et al., 1999;

Sureshchandar et al., 2002; Sureshchandar et al., 2003). Importantly, Libya is also a transition economy attempting to transform from a state dominated command economy to a more open, liberalized economic system on the capitalist mode.

Therefore, the initial motivation to conduct this study has been stimulated by the lack of any useful empirical study in terms of previous efforts to measure and evaluate the quality of service within the Libyan banking sector. More specifically, this research study aims to assist commercial banks to improve the quality of their service.

The motivation for this study derived from the various recommendations of researchers and practitioners of service quality, of whom all have highlighted what they consider to be weaknesses in the standard of service quality provided by the banks, and have emphasised the need for more research into measures which could lead to improvements.(Wali, 2004; Shehouni & Toumi, 2007; Abdelmalek, 2008). This research aims to examine whether or not Libyan customers believe the levels of service in Libyan public commercial banks is poor, and the degree to which Libyan conceptions of service quality coincide with those adopted in more developed economies with different cultural contexts.

The Libyan government has the aim of developing its non-oil sector through the promotion of private-sector investment, and the support of small and medium size enterprises. The aim is to achieve economic diversification and create new jobs. In this vein the management of Libyan banks has developed a sense of the importance of quality within the banking service, regarding it as one of the fundamental requirements for improving bank marketing operations. However, banking management continues to lack the scientific standards and necessary information in order for this to be realised. A second motivation is to contribute to establishing this standard and provide necessary information. Benchmarks of information will be supplied regarding the clients' evaluation of Libyan banks (especially concerning the quality of banking services, and the extent to which such banks understand their customers' desires and needs).

The third motivation of this study is to provide empirical data which fills certain gaps in the literature in general, notably banking literature on the subject of service quality.

1.4.1 Lack of Literature and Research

By examining most marketing texts and journals it is obvious that little, if any, information is presented concerning prediction of customer perception and expectation as a result of service quality. Banking texts and journals address the general subject of service quality in a limited manner; however no significant mention is made relating to predicting customer retention. A thorough review of the literature for this study revealed a total inadequacy within the current body of knowledge relating to predicting service quality by examining expectations and perceptions of bank consumers in commercial banks in Libya. Considering the state of the literature in predicting service quality by examining customer and employees`expectations of bank in public and private banks in Libya, it becomes obvious this is an area that has not been thoroughly researched. Therefore, it was not difficult to establish the fact that a sufficient gap in the literature exists to indicate that an empirical study is justified and needed. The value of this study will be justified by the empirical research that will attempt to make an important contribution to the body of knowledge and the literature in the areas of predicting of service quality. Likewise, it should make a contribution to the general body of knowledge on service quality.

1.5 Purpose and hypotheses of the study

As mentioned previously, a scarcity of research has been conducted in developing countries in general and in Libya in particular. As a result, the principal aim of this study is to examine and compare expectations and perceptions from customers and bankers regarding the service quality provided by the commercial public and private banks in Libya.

The following paragraphs offer specific summaries of the aims and objectives as following:

The first aim of this study is to examin and compares service quality in the Libyan commercial public and private bank by using SERVQUAL questionnair from customer` (recieved service) standpoint. In order to achive this aim of the study.the three objectives are formulated:

1. To examine customer expectation of service quality between Libyan commercial puplic and private banks.

2. To assess customers' perceptions of service quality between Libyan commercial public and private banks.
3. To analyse differences in customers' expectations and perceptions' of service quality between Libyan commercial public and private banks.

From the preceding aims and objectives the following hypotheses were formulated.

Null Hypothesis (H01): There are no significant differences between customers' expectations of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (Ha1): There are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

The first hypothesis was utilised to achieve the first objective of the first aim of this research (examination of customers' expectations of service quality between Libyan commercial public and private banks).

Null Hypothesis (H02): There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (Ha2): There are significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

This hypothesis was utilised to achieve the second objective of the first aim of this research (examination of customers' perceptions of service quality between Libyan commercial public and private banks).

Null Hypothesis (H03): There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (Ha3): There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

This hypothesis was utilised to achieve the third objective of the first aim of this research (examination the differences between customers' expectations and perceptions of service quality in both Libyan banks).

The second aim of this study is to examine and compare service quality in the Libyan commercial public and private bank by using SERVQUAL questionnaire from employees' (provided service) standpoint. In order to achieve this aim of the study. The one objective is formulated:

- To assess employees' perceptions of customers' expectations and actual customers' expectations in both types of Libyan commercial public and private bank.

In order to test objective the following hypotheses were formulated.

Null Hypothesis (H04): There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

Alternative Hypothesis (Ha4): There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

This hypothesis was utilised to achieve the first objective of the second aim of this research (examination of the differences between employees' perceptions of customers' expectations and actual customers' expectations).

Based on the hypothesis relating to the customer's perception and expectation of this research which identified the gap between customers' expectations and perceptions of service quality in the Libyan public and private commercial banks show that some gaps (i.e. identified problems) exist in the views of customers toward the service quality in both banks. It is very important for management of both banks to monitor customers' perceptions of the service level provided because low perceptions of the customer may lead to an unfavourable market response (customer dissatisfaction). Such monitoring could be done by periodic customer audits and customer service evaluation. This can help the banks management to decide what corrective actions to take, when to take them, and in which particular segment of the market.

The hypothesis relates to bankers' perceptions, there is a general void in the literature in comparing a banker's perception of what the customer expects. This issue is important from the standpoint of the banker anticipating what the customer expects in terms of

delivered service. Likewise, it could be a serious problem for a bank, if their staff made the assumption that they knew best what services the customer sought, when in fact, they drew the wrong conclusion. This would likely cause the customer to seek a bank that would provide the desired services. It has generally been held, although there was no evidence to back up the supposition that bankers tended to provide customers with services that they deemed best for the customer, when in actuality, they did not know what the customer expected.

A new body of knowledge has been established through the data revealed in this study, since there is no record of a study of record comparing the bankers' perceptions of the customers' expectations, and further, the identification from the study's data that bankers in community banks tended to know the services that customers expected which would prove the null hypothesis. Hence the theory advanced would be that there is very little difference in the bankers' perceptions of what the customer expects which would lead to providing services that satisfied the customer.

1.6 Research methodology

This study assesses expectations and perceptions from customers and bankers regarding service quality provided by the commercial public and private banks in Libya. Chapter 4 discusses the introduction to the research philosophy and design that has been adopted in this study, followed by a discussion of the implications of these elements on the methodology of the study. The methodology employs a triangular approach, consisting the use of a questionnaire and a number of interviews of banks' managers. The questionnaire is designed to measure customers' and banks' employees' expectations and perceptions of service quality in the context of the Libyan commercial banks. The interviews of a number of banks managers are conducted as a supplementary or secondary source of information, enabling the researcher to check and balance the views of the managers and their employees in comparison with those of the customers. The Central Bank of Libya (2005) comprises the Libyan commercial banking sector which includes the five commercial public banks (Gumhouria bank; Umma bank; National Commercial Bank; Sahara Bank and Wahda Bank) and commercial private banks (Commerce and Development Bank; Aman Bank For Commerce and Investment; Al-Wafa Bank; AlejmaaAlarabi Bank; Mediterranean Bank and Alwaha Bank).

1.7 Structure of the thesis

The organisation of this thesis consists of seven chapters. There follows a brief description of each chapter:

Chapter One provides an introduction to the study. It focuses on presenting the reader with a broad understanding of the study's development, together with the background to the thesis. The aims and objectives of the study are highlighted and the hypotheses put forward by this study are given.

Chapter Two provides a detailed overview of the Libyan financial sector in particular the Libyan banking sector which is the focus of this study. This chapter covers such issues as the commercial banking environment. There is also a brief background to all the banks currently operating in Libya at the time of the study.

Chapter Three is the literature review of this study. It considers literature from several fields which proved relevant to the study and provides an overview of the characteristics of services and definitions of the concepts of quality and service quality and the relationship between service quality and customer satisfaction. This is followed by a discussion of developments in the conceptualisation of service quality, including those dimensions and models of service quality which have proved to be most useful and influential. This chapter also includes the relevant literature related to service quality in the banking sector.

Chapter Four provides detailed discussion and explanation of the research methodology. It analyses the research design and methodology and identifies the specific issues of which the researcher needs to be aware. It also explains the reasons for selecting the methods of data collection, and describes the design of the data collection instrument.

Chapter Five the aim of chapter five is to provide and discuss the results (findings of the research) of the research data analysis. Therefore, the chapter discusses the statistical analysis of the customers' perceptions and expectation of service quality through a comparison between Libyan private and public banks.

Chapter six the aim of chapter five is to provide and discuss the results (findings of the research) of the research data analysis. Therefore, the chapter discusses the statistical

analysis of the assess employees perceptions of customers' expectations and actual customers' expectations in both types of Libyan commercial public and private bank.

Chapter Seven presents the findings from the data collection elements (interviews)

Chapter Eight offers a comprehensive discussion of the analysis of the quantitative and qualitative findings presented in chapter five, six and seven.

Chapter Nine presents the recommendations the researcher believes to be of value to bankers and researchers in Libya and elsewhere, together with the conclusions to the research. The limitations and contributions of the study are then discussed and there are several suggestions for future research directions.

1.8 Summary

This chapter introduced the research topic and described the background to the study. The study's importance, and the focus and justification of the study were outlined, leading to an explanation of the purpose of the study. Following this, the methodology adopted for this study was briefly presented, followed by a summary of the structure of the thesis. The following tow chapters offer a rievew the background of Libyan banking and the relevant literature which has contributed to the construction of the thesis.

Chapter 2 LIBYAN BANKING BACKGROUND

2.1 Introduction

The banking sector plays an important role in the economy of any country as banks perform a number of vital functions, such as the mobilisation of savings, the playing of an intermediary role between savers and borrowers, facilitating the flow of payments and allocation of credit and control of financial discipline for borrowers. Furthermore, electronic bank techniques allow the banks to offer various new types of banking services to suit customers' needs, such as paying bills, updating credit data and drawing and transferring money. Moreover, banks are social organisations which are influenced and affected by what occurs in the general environment they operate in, and they are no more immune to the effects of culture, politics and social change than any other institutions. Banks have to balance the demands of groups such as shareholders, employees, customers and government departments in order to remain profitable and retain their customers (Oxford Business Group, 2010).

The Libyan banking sector has experienced significant developments particularly following the issuance of laws concerning money and banks by the Central Bank of Libya. In 2005, the Central Bank of Libya played a key role in organizing banks and restructuring capitals inducing them to look for investment opportunities in order to compete in the provision of services akin to that of international banking services and in order to attract depositors and investors to increase the equities and complete the capital (Twati and Gammack, 2007). These laws urged banks to have a capital not less than 30 million Libyan dinars. Consequently, banks initiated their new marketing services that used to be lacking in Libya including the Mobile bank, Electronic Bank Services, Visa Card, Western Union and Money Gram. In addition, top financial institutions looked to satisfy the customers' demands and needs for their survival and successful competition in the current dynamic corporate marketplace (Akgam al et., 2015).

In the last decade, it has been noticed an increase of interest in the banking sectors of developing countries (Ömer et al., 2013). Nevertheless, a large part of the studies in the literature are studies concerned with developed markets. There is still, nevertheless, a few empirical studies on emerging markets. The level and determinants of competitiveness of the banking sector in developed economies is different from those in emerging economies

as noted by (Fungáčová et al., 2010). Therefore, the competition policies and rules employed for developed countries cannot be taken from the shelves and presented as a model for emerging markets.

Similar to other countries in the region, the banking sector in Libya is the main provider of financial services to the economy. With 11 commercial banks totaling LYD 73.2 billion of assets (in the end of 2013), the banking sector represents 81% of the total assets in the financial sector. These banks can be subcategorized into three groups: 7 private owned banks (including 3 with foreign participation of 49%), and 2 joint banks held by the Libyan Government (51%) and foreign states (UAE and Qatar), 4 large state-owned banks (including 2 banks with a 19% stake owned by foreign strategic partners), (Sbia and Ahmed, 2015).

In the context of both developing and developed countries, it is recognised that the banking industry plays a fundamental role with regard to improving and further enhancing financial and economic stability. With this in mind, the overall objective of this chapter is to provide a description of the background of the Libyan banking industry and this study's empirical work is conducted in this area. This chapter commences by directing attention to general elements relating to Libyan geography. The Libyan banking sector is described in section three and the Libyan commercial banks' accounts are discussed in section four. Section five briefly outlines how the Central Bank of Libya manages the process of adopting and enforcing international best practices. Banking in Libya a personal perspective is presented in section six. A summary of this chapter is given in section seven.

2.2 Geography and Population

Libya has a strategic geographical location in the middle of North Africa, which it makes a vital link between the eastern and western countries of the Arab world and between Europe and Africa (CIA, 2009). Libya is a country extending over an area of 1,759,540 square kilometers and is ranked 17th nation in the world according to size. In the context of land area, Libya is smaller compared to Indonesia and approximately akin to the size of Alaska, U.S. Libya is a country in the Maghreb region of North Africa bordered by the Mediterranean Sea to the north, Egypt to the east, Sudan to the southeast, Chad and Niger to the south, and Algeria and Tunisia to the west (Akgam al et., 2015)

Libya possesses a Mediterranean coastline of 1,770 km and an area of 1.759 million square kilometres, which makes it seven times bigger than the UK, but with a small population and a large land area.

In 1954, the population of Libya was estimated to be approximately 1.1 million, with a 1.25% growth rate each year. This degree of growth is low; however this took place owing to poor health issues and a lack of hygiene. Nevertheless, this situation has completely changed following the discovery of oil, with population growth now one of the highest across the globe (Kezeire & Lawless, 1987). For example, in 1980, there were 3.2 million people in Libya, which increased to 4.250 million in 1989 and to 5.660 million in 2003. Two years later, in 2005, the population stood at 6.1 million. Between the years 1988 and 2000, the average annual growth rate was 4.3%, one of the highest in the world. The Libyan population grew by 1.8% in recent years, to reach 6,310,434; this included 166,510 non-nationals in 2008. According to Libyan demographic trends, most of the Libyan nation is composed of younger people: 33% of the population are less than 14 years old, 62% between 15 and 64, and older people represent a mere 4% (CIA, 2009).

2.3 The Libyan Banking Sector

The Libyan banking sector is crucial to the future success of the Libyan economy, especially following the government's 1993 decision to begin a gradual policy of banking sector privatization (El-Shukri, 2007). The Libyan state sees deregulation of the banking sector as the key to the stimulation of economic activity in all other non-oil sectors of the economy. At the present time, banking makes an important contribution to the economy of Libya, especially in the non-oil sectors, in terms of both investment in projects which represent increases in GDP, and by providing employment to the increasing proportion of the nation's six million people who are not protected by the benign employment conditions of the public sector (Central Bank of Libya, 2006).

The events that unfolded in Libya after the so called “Day of Rage” on the 17th of February 2011 erupted into a civil war, effectively splitting the country between the Government-controlled areas (West) and the anti-government ones (East), with continuous fighting between the two sides. As a result, the banking sector's development has slowed down. The previous regime had commenced a partial privatisation of two of the four public banks in 2007, by selling 50% of shares of Sahara Bank to the French

BNP Paribas in 2007, and of Wahda Bank to the Arab Bank of Jordan in 2010. Furthermore, the Libyan Central Bank transformed the sector through mergers and IPOs with foreign investors in the Arab world (Ahmed Al-Darwish et al., 2012).

The creation of new banks with international backing led to the already established incumbent institutions in Libya facing new challenges and paved the way for the process of modernisation, particularly in the areas of new ICT systems, a credit monitoring system and the launch of several new products and services. Moreover, the increased market capitalisation of financial institutions and increasing demand for insurance echoed a great need for the experience, expertise and good practices that come with international partnerships (George, P, 2012).

These financial strategies and reforms led to a significant improvement in the performance of the banking sector. By the end of 2010, the total commercial bank assets increased from \$12 billion in 2004 to \$54 billion, an annual average growth of 58%. Moreover, the financial soundness indicators showed tremendous improvement in terms of non-performing loans falling to more 17%, that is, half of the position in 2004. Furthermore, the regulatory capital ratio exhibited a rise of 17%, compared with 10% in 2004 (George, P, 2012).

However, during the conflict which lasted several months, the country experienced considerable economic disruption, including to the banking sector. The banking business was subject to significant risk as there were rumours that the old regime would confiscate the oppositions' assets. Moreover, loans to needy businesses had to cease during the conflict, leading to a severe cash flow and liquidity crisis, problems which arose in all sectors of the economy (Ahmed Al- Darwish et al., 2012).

Since the third quarter of 2012, according to the IMF, the general financial situation in Libya has improved substantially, with banks now back to their normal operative status. Under the new system, the Central Bank still owns a large proportion of the banking sector; however a degree of liberalisation has begun to re- emerge. In particular, the Central Bank has recently renewed its commitment to improved transparency, the strengthening of financial governance and the creation of an efficient bond market to help smaller businesses which has helped to increase banking activities. It

is anticipated that these moves, along with careful banking management will pave the way towards a modern privatised banking system in Libya (Ahmed Al-Darwish et al., 2012).

The most important characteristic of Libyan banks is that works systems remain traditional and lack the application of modern banking systems, the use of technology and programmes which would enable them to compete on both internal and external stages (Abukhzam and Lee, 2010). The use of ICT means enhance of diversity in banking provided, and thus an improvement in overall performance and efficiency (Robinson, 2000). There are several basic requirements for ICT which must be met; these include a sound technical infrastructure, interaction with technical developments and efficiency of the employees. These requirements are not and cannot be isolated from the built telecommunications and information technology infrastructure of any country, to ensure secure access to the information and to ensure the e-banking successful. Despite acknowledging the e- banking technology benefits in banking services, Libya has not adopted adequate modern innovation within their commercial banks (Abukhzam and Lee, 2010).

The Libyan banking sector is dominated by the Central Bank of Libya and commercial banks. Commercial banks have been major financial institutions since the first public bank commenced operations in 1957. Local commercial banks consist of both state-owned and privately owned banks. There are five state-owned commercial banks and seven private banks in Libya. The public banks are Gumhouria Bank, National Commercial Bank, Sahara Bank, Al Umma Bank, Wahda Bank, while the private banks are Commerce and Development Bank, Aman Bank for Commerce and Investment, Al-Wafa Bank, Alejmaa Alarabi Bank, Mediterranean Bank, Development Bank, and Alsaraya Trading and Development Bank (Alrafadi et al., (2014).

Although all the above banks are state-controlled banks, the Libyan government passed a law in 1989 which allows the public to establish private sector banks in Libya; and now even foreign companies began buying shares in Libyan banks, after the Libyan government began to allow foreign banks to take part in preparing the country for the development planned ahead. It was reported that six big lenders, including HSBC Holding PLC and Standard Chartered PLC, were short-listed for two banking licenses in Libya. The BNP Paribas of France owns 19 percent of Sahara Bank; while the Arab Bank of Jordan has a similar stake in Wahda Bank. The Libyan Arab Foreign Bank implements

the international functions of the Central Bank of Libya through subsidiaries in some 20 foreign countries. Libya has also started granting "banking licences" in 2011 to foreign banks to operate in Libya in partnership with local Libyan businesses, such as the licence granted to the Italian Unicredit (Central Bank of Libya, 2011).

2.3.1 The Central Bank of Libya (CBL)

The Central Bank of Libya (CBL) is Libya's national bank, and possesses authority over banking regulations and the activities of any state-owned commercial banks. It undertakes the supervision of the banking system and regulates credit. The bank was established in 1955, under the provisions of Law No. 30 (1955), and commenced operations in April 1956.

The CBL was originally established with a total capitalisation of one million Libyan dinars (LYD). Subsequently, its capital increased to one hundred million LYD by 1981, accordingly reaching 500 million LYD in 2006. Originally, it was intended that the government would have only part-ownership of the bank, equating to the value of 700,000 LYD, whilst 300,000 LYD were to be offered in public subscription (El-Shukri, 2007). However, following successive moves to take control of the economy levels, the CBL eventually became 100% state-owned, and now constitutes the monetary authority in Libya and performs the functions of a central bank whilst nominally holding the status of an autonomous institution.

The bank operates within the economic policies outlined and implemented by the national government, the general affairs of which are managed by the Board of Directors, which is headed by the Governor as Chairman. The Board is notably responsible for implementing the policies of the bank, ensuring the management of its affairs, and representing the bank in all negotiations and agreements with other parties. In addition to the Chairman, the Board also consists of the Deputy Governor as Vice Chairman, and six other members, all of whom are typically drawn from organisations with interests in the nation's financial and economic activities (El-Ghmati, 1979 & CBL, 2000).

The bank has its headquarters in Tripoli, with three branches located in Benghazi which serve the interests of commercial banks and the public in the Eastern area of Libya. Another branch is located in Sabha city for the purpose of undertaking similar functions in the southern area of Libya and, more recently, an additional branch has been

established in Sirte city, which is intended to meet the same needs in the central area of Libya (Central Bank of Libya, 2002).

Broadly speaking, any central bank is responsible for ensuring that the economic policies of the government are carried out, and that regulations concerning financial transactions are complied with (Masoud & El-Sherif, 2002). As a result, the CBL is an important lever in the government's control over the economy within Libya, and is responsible for the maintenance of monetary stability, achieving levels of continued and maintained growth within the economy, especially within the non-oil sector, and ensuring adherence to the government's general economic policy for the country.

Essentially, the CBL, whilst nominally independent, must balance the government's desire to retain control over the economy with its parallel, though inconsistent, wish for liberalisation, and its' attempts to achieve this through the drafting of policies for the opening of the financial market and the promotion of competition between other banks in Libya in order to prepare them for the arrival of foreign competition. Moreover, the CBL also carries responsibility for promulgating the rules and guidelines for the conduct of banks (Central Bank of Libya, 2005).

Since its inception in 1956, the responsibilities and obligations of the CBL have included the issue of the nation's currency, the maintenance of deposits of both federal and provincial governments, and the oversight of ordinary commercial bank activities.

It is notable that the major development in the CBL's functions came in 1993, when Law No (1) was issued, which actively modified its responsibilities and its functions within the banking system. Following these changes, the CBL functions now include the maintenance of international liquidity, and the regulation of domestic money and credit expansion in line with government monetary policy.

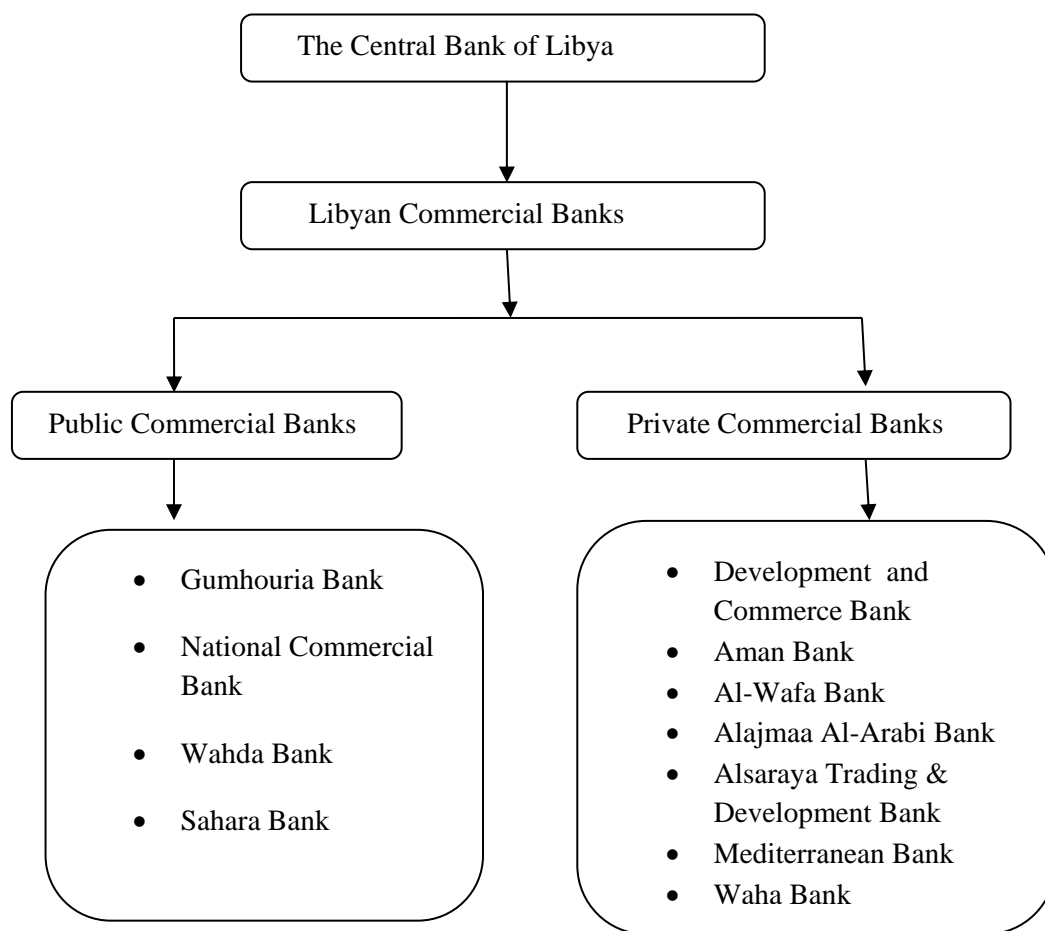
Overall, the role of the CBL is to aid the Libyan state in terms of achieving its economic development objectives whilst simultaneously encouraging modernisation and expansion within the banking sector. Following the Libyan government's decision to move towards a more open economic system, the CBL was empowered by Law No. 1 of 2005 (Article 5), which promulgates the following CBL duties and responsibilities: -

- Issuing and regulating bank notes and coins.

- Managing the State's reserves of gold and foreign exchange. Maintaining and stabilising the Libyan currency internally and externally.
- Taking appropriate actions to deal with foreign and local economic and financial problems.
- Regulating the quantity, quality and cost of credit to meet the requirements of economic growth and monetary stability.
- Supervising commercial banks to ensure the soundness of their finances, controlling the efficiency of their performance and protecting their depositors and shareholders' rights.
- Acting as a reserve bank for Libya commercial banks.
- Acting as a bank and fiscal agent to the state and its public organisations.
- Advising the state on the formulation and evaluation of financial and economic policy.
- Supervising foreign exchange transactions.
- Issuing and managing all state loans.

The CBL is further empowered to carry out any other functions or transactions normally performed by a central bank, as well as any tasks charged to it under the laws of banking, currency and credit or any international agreements to which the state is a party.

Under the supervision of the CBL, commercial banks in Libya are divided into public and private commercial banks (Central Bank of Libya, 2008). A summary of these banks is shown in figure 2.1 below and the following sections offer a fuller description of each bank: -

Figure 2-1 The Structure of Libyan Commercial Banks

Source: Central Bank of Libya, (2008)

2.3.1.1 The Central Bank of Libya and the Basel Committees on Banking Supervision

In response to the significant changes in the international financial systems, the Basel Committee was established in 1974 by the world's major national financial systems (Bank for International Settlements, 2009). The governors of these countries' central banks cooperated with each other in order to formulate mechanisms for the exchange of information, determination of supervisory responsibility, and the creation of minimum standards. The committee's main objective is to strengthen the capacity of national authorities to supervise their banks with regard to both their national and international activities, and also to narrow and close the gaps relating to international banking supervision (Bank for International Settlements, 2009). The committee has not been afforded any official, multinational supervisory authority; therefore any deductions drawn

are unable, and have never been able, to have legal force. Wood, (2005) stated that, since the mid-1970s, the work of the Basel Committee has greatly changed the international financial system. According to him, 'the success of the committee has been limited.

The CBL has obliged all banks to increase their capital to LD 33,333,000 by the end of 2006 (Central Bank of Libya, 2008). In order to apply the standards as defined by the Basel Committee, the General People's Congress in Libya has authorised a special exchange rate for banks, with 1 LD equating to US\$3.33. This decision was made to ease the way for Libyan banks to amass the required capital. According to some bankers, however, difficulties remain in terms of the poor state of the Libyan market, as well as the weak purchasing power of the people (Central Bank of Libya, 2006). Accordingly, the capital required to meet the conditions and requirements of these committees cannot be fulfilled in the current circumstances.

Moreover, many Libyan bankers consider that the procedures which have been implemented by the CBL to reconstruct and develop the banking sector, in accordance with Basel Committee standards are, however, unclear and considerably ambiguous. Consequently, there is a difference between reality and intention (Central Bank of Libya, 2006). It is to be noted, in this regard, that some banking staff are still unfamiliar with the Basel Committee and its rules, which may reflect the fact that the CBL has not made a considerable effort to explain the rules of the Basel Committee or to otherwise introduce them within the banking sector. On the other hand, the CBL may not be serious regarding the implementation of the Basel Committee's rules.

2.3.2 The Libyan Commercial Banks

Commercial banks within Libya are state-owned banks. National banks are owned by stock holders, or enterprises owned by organisations referred to as 'bank holding companies', which can be defined as institutions which accept deposits, provide organisations with business loans, and also offer a number of other relevant services (Central Bank of Libya, 2008).

Commercial banks, however, are institutions which are run in order to generate profit, and which offer services to individuals and organisations. It appears that the primary concern of such banks is to receive deposits and lend to businesses and

individuals. In other words, they can be referred to as ‘commercial’ as they specialise in loans to commercial banks and businesses of every size (Panorama Reports, 2008).

The Libyan Banking Law No. 1 of 2005 considers the concept of a commercial bank, and accordingly defines it as, ‘any company that ordinarily accepts deposits in current demand accounts or time deposits, grants loans and credit facilities and engages in other such banking activities’ (Banking Law, 2005). In accordance with this law, a commercial bank must take on the form of a Libyan joint-stock organisation, ensuring a capital which amounts to a minimum of 10 million LYD, which must be broken down into shares. Notably, each share value must not be more than 10 LYD, with all shares held by public and private legal establishments, as well as ordinary citizens. However, private banking institutions may also obtain state-owned commercial banks’ capital shares, with shareholders having the right to become involved in the bank’s general assembly. All shareholders are afforded voting rights in direct regard to the percentage share of the capital, which can be no more than 4% (El-Shukri, 2007).

As regards management, a Board of Directors, comprising between five and seven members, is charged with the responsibility of directing a commercial bank. The Board of Directors’ remunerations are established through the bank’s general assembly resolution. The tenure of the chairman of Board of Directors’ members is stipulated by the bank’s recommendations made by two of the Board of Directors’ members. Furthermore, the Board of Directors is also responsible for all staff remuneration in each commercial bank’s charter, whilst the Board of Directors is responsible for selecting the Chairman. Moreover, notably, the bank’s general manager is selected on the basis of particularly in the case of those banks operating within the private sector. In this regard, it is pertinent to highlight that salaries which are paid by commercial banks that are wholly state-owned must adhere to what is stipulated in Law No. 15 of 1981.

Libyan commercial banks are members of various regional banking organisations, such as the Union of Arab Banks and the Union of Magreb Banks (El-Shukri, 2007). With regard to the number of banks, on the one hand, Abdelmalek, (2005) considers that the number of Libyan commercial banks is large when compared with the number and level of services they provide, whereas on the other hand, others believe that the number of Libyan banks is small, and does not meet the requirements of the Libyan market. They attribute the small number of banks to the prohibition of establishing private banks or the

opening of foreign bank branches within Libya applicable under the previous Law. As mentioned previously, the commercial banks of Libya can be divided into two categories: private and state-owned commercial banks.

2.3.2.1 Public Commercial Banking Institutions

Following the revolution of September 1969, the decision was made to increase national shareholding in foreign banks to 51%. Following this decision, all foreign banks operating in the country at the time were subjected to this change, although Barclays Bank and Banco de Roma chose to procrastinate regarding implementation of the decision, and instead demanded a joint equal share management arrangement be made between the two parties involved: the banks and the Libyan government (Central Bank of Libya, 2008). This action by the British and Italian banks persisted for a short time, however, as all foreign banks become fully nationalised and state-owned. Moreover, all were given a new name in Arabic (Al- Arbah, 1985).

Following Libya's independence in December 1951, the country took control of its own currency whilst granting licences to several foreign banking institutions to either continue or initiate activities in Libya. The Libyan National Bank was established in 1956, but commercial banking services continued to be provided by other institutions, such as the Tunisian-Algerian Bank, the Egyptian Bank, the British Bank of the Middle East and Bank of America. The Central Bank of Libya was established in 1963 to replace the National Bank; however the major change to banking policy came in 1969 following the Al-Fateh revolution (Central Bank of Libya, 2006). This major political upheaval instituted a period of radical reform of economic activity along socialist lines, resulting in the nationalisation of the most productive elements of the economy and public ownership of all commercial banks. However, the commercial banks within Libya encountered a number of difficulties and barriers during the process of their nationalization. As a result, according to Law No. 153 of 1970, all banks operating in Libya became wholly owned by the state. This law divided these banks into five companies: the Umma Bank, the National Commercial Bank, the Gumhouria Bank, the Sahara Bank and the Wahda Bank. All of these banking institutions subsequently delivered services to both members of the public and Libyan organisations (Central Bank of Libya, 2006).

Later, in October 2007, the Central Bank, announced the merger of the Gumhouria Bank and the Umma Bank, subsequently establishing a single entity known as the Gumhouria Bank. The transformation was finalised in 2008. Following a merger with Al-Umma, Gumhouria became the largest bank serving the local market, holding a total of US\$21 billion of assets on its balance sheet, thus making it the fifth-largest bank in North Africa (Oxford Business Group, 2010).

The public commercial banks combined own in excess of 333 branches across Libya (Khalaf, 2007). This wide spread of branches has led to increased competition amongst these banks, although the range of products and rates of interest they offer are still tightly controlled by the CBL, and public commercial banks are somewhat insulated from competitive stress compared to their privately owned rivals as a result of the government's insistence on paying all salaries into accounts held by public commercial banks. As the vast majority of the Libyan population depends on public-sector salaries for at least part of its income, this gives the public commercial banking sector a very large customer base, which it has little to do to attract. The combined capitalisation of the banks was 1105.8 million LYD, their total assets amounting to 73,405.1 million LYD in 2008 (Central Bank of Libya, 2008).

After the banks underwent nationalisation, all of their business was transferred to the public sector. Accordingly, the public commercial banks (state-owned) have adopted a fundamental role in the financing of many public-sector organisations concerned with infrastructure projects, although they are not shareholders. More recently, the banks have been permitted to participate in, or buy shares in such companies (Kumati, 2008).

In an attempt to remain in step with the rest of the globe, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system has been considered for implementation by the CBL. This system is concerned with transferring funds through the utilisation of global technology which, notably, is achieved by means of the implementation of modern-day communication and technology systems, as highlighted by Kumati (2008).

The adoption of new technology is currently a part of the CBL's initiative to improve confidence within the banking sector, however, to date; it has failed to produce

any tangible results on account of Libya's weak communication infrastructure and poor internet provision (Kumati, 2008).

According to Farazi, et al., (2011) the banking sector in Libya has been predominantly dominated by the public sector which controlled the bulk of its financial activities which makes Libya's financial system is outdated and highly centralised. However, Libya since 2005 started to reform its banking system, since the highly centralised banking system is widely seen as the main obstacle to growth, as well as in response to international pressures to modernise their financial system (BTI, 2012).

The rapid developments witnessed by the new technology and the increased demand for ICT in banking sector, which in turn improve the quality of banking services, became obvious and unavoidable internationally in general and in Libya in particular (Farazi, et al., 2011). Thus it is important to take appropriate steps to help Libyan banks engage in the global economy and stand on an equal footing with international banks through reformulation strategies and policies with a more sophisticated and comprehensive shift towards e-banking, in order to enhance the quality of service and the competitiveness of Libyan banks in both the domestic and international arenas (Bampton and Saaed, 2013).

2.3.2.1.1 National Commercial Bank (NCB)

The NCB was formed in 1970 to take over the commercial operations of the CBL and to incorporate the Libyan operations of the two foreign commercial banks, the Istiklal Bank, formerly Banco di Napoli, and the Oroba Bank, formerly the Arab Bank (Central Bank of Libya, 2008).

In 2008, NCB made internal changes to the organizational structure in order to change the bank from a traditional and conservative organization to one which meets international standards so as to become more competitive. The General Manager of NCB, Mr. Rashwan said *"We are updating the image of our bank, adding new products and updating the quality of our equipment, in order to enhance the quality of our services. We are conducting intensive training for our employees in order to upgrade their skills to a level where they can apply the new technologies and properly serve the bank's operations"*.

NCB has 66 branches throughout Libya. At the same time, NCB has designed a new customer-oriented image that derives from evaluating the financial Libyan market to provide customers with the maximum benefits and prevent any future loss in market share (Panorama Reports, 2008).

NCB provides different financial services such as documentary credits and letters of guarantee, leasing financial transactions with foreign currencies and forward exchange markets, and current and saving accounts.

Following the reforms in the banking sector and the opening the Libyan market to foreign investors, the authorities have the intention of privatizing the remaining two public commercial banks (Gumhouria Bank and National Commercial Bank) through the newly established stock market (Shaaeldin and Hammami, 2009).

“The Central Bank of Libya (CBL) control and supervise commercial banks, regulate the relations between them, coordinate their activities and follow-up their work in implementation of the general policy laid down for the banking sector, in accordance with the general plans of the state” (Banking Law No. 63 of 1971 Article 2).

The Central Bank of Libya (CBL) is focusing on modernizing its structure to enhance the payment system and improve its ability to conduct monetary policy. It is also focusing on strengthening bank supervision which includes improvement of off-site surveillance techniques and modernization of methodologies to calculate capital adequacy measures (Shaaeldin and Hammami, 2009).

2.3.2.1.2 Gumhouria Bank:

As a part of the bank modernisation programme, Gumhouria Bank announced a merger with Umma Bank in 2008 to become a single entity operating under the trade name Gumhouria Bank .The merger formed a combined asset worth about 65 billion dollars (Timewell, 2009; Khalaf, 2007; Almsri, 2010). It is not only the largest domestic bank with a combined network of 146 branches, but is also one of the top 10 banks in the in the north of Africa (Gumhouria Bank internal report, 2008).

Gumhouria Bank started to invest in Sharia banking services as mentioned by Nureddin Galuta (the deputy manager of banking operations) *“There is also big potential in Islamic banking, as demand for an Islamic instrument is huge and it is consistent with our*

culture”. He also said “Sharia-compliant instruments are not yet in the market, but with most people having bank accounts and attitudes changing positively towards banks, the outlook for retail banking is bullish especially with Islamic and internet banking arriving soon”.

The bank is well established and provides financial services to individuals and organizations. Gumhouria Bank is also investing in more services; it has about 100 ATMs at present and has plans for another 80 through an external supplier. It offers many services to individuals and companies that should comply with the bank’s internal procedures and documents in order to provide better services quality. At the same time, Gumhouria is introducing pre-paid cards for fuel through a programme with Visa (Gumhouria Bank internal report, 2008).

2.3.2.1.3 Sahara Bank:

The Sahara Bank is a Libyan universal commercial bank which employs approximately 1,500 employees. It has the largest bank capital in Libya, representing, about 252 million Libyan Dinars (Khalaf, 2007). In 2007, BNP Paribas was selected by the Central Bank of Libya to be a strategic partner of the Sahara Bank. This partnership created the first foreign bank to develop full banking service activities in Libya (Almasri, 2010).

BNP Paribas is one of the main banks in France and operates in a number of European countries. BNP took over 75% of troubled bank Fortis' activities in Belgium, and 66% in Luxembourg, in exchange for the Belgian government becoming the new group's major shareholder. It was established in 2000 by the merger of Banque Nationale de Paris (BNP). BNP Paribas is expected to play a major role in the development of the Sahara Bank in terms of the level of banking services. This is, as explained by Mr. Claude Rufin, (2007) *“the Sahara Bank’s general manager, because “BNP Paribas wants to be a part of Libya’s strong economic growth”.*

In 2008, the Sahara Bank had a market share of 22% of deposits with 25% growth in loans to take about 17% of the loans market share in Libya (Panorama Reports, 2008).

It offers individuals’ current accounts, individuals’ saving accounts, individuals’ loans, individuals’ transfer payments, swift services and deposit boxes.

2.3.2.1.4 Wahda Bank:

By contrast to other state-owned banks, the Wahda Bank is Sirte-registered, although most of its head-office functions are in Benghazi. The Wahda Bank was formed in 1970 to take over the Libyan operations of four foreign banks: Bank of North Africa, the Kafila Al-Ahly Bank, the Nahda Arabia Bank and the Societe Africane De Banque S. A. L (Wahda Bank, 2001). However, at the time of nationalisation, there was some local ownership. In 2001 the bank's paid up capital was LD36 million but has now increased to LD 108 million. The CBL owns 87% of the bank's capital and 13% is owned by shareholders (Panorama Reports, 2008). Wahda bank is considered to be the third largest bank in Libya after the Gumhouria bank. In November 2007, five foreign banks were short-listed for the privatization of the Wahda Bank, including French, Italian, Jordanian, Bahraini and Moroccan institutions. The Arab Bank of Jordan was selected. They bid on a 19% of the share of the Wahda Bank (Almsri, 2010).

Financial services provided include: documentary credits and letters of guarantee, leasing financial transactions with foreign currencies in time and forward exchange markets, operations of management, protection for securities, precious things, consultant services and management of the payment tools.

2.3.2.2 Libyan Private Commercial Banks

The public commercial banks had almost achieved domination of banking activities in Libya, until 1989, at which time the Central Bank of Libya issued Law No 1 which encouraged commercial banking development within the private sector. The following year, (1990), the Bank of Commerce and Development began operations, making it the first private commercial bank in Libya. Subsequently, additional private banks were established, namely the Aman Bank for Commerce and Investment, the Alajmaa Al-Arabi Bank, and the Al-Wafa Bank (Ogilvie et al, 2008).

It is significant that it is the privately owned banks that have very quickly introduced new banking services and upgrades to their networks. Importantly, these privately owned banking institutions are amongst the most active and vibrant in terms of progressing retail banking services and implementing network innovations and enhancements, with specific attention directed towards urban areas. The Bank of Commerce and Development is recognised as being the largest of the private banks

operating within the country, and was also the first to provide internet banking services, mobile banking, Visa cards, and Western Union money transfer services. The banks are also recognising the benefit of offering Islamic banking services and products at all of their branches (Oxford Business Group, 2010).

It is clear that the main purpose for the private banking sector in Libya is to gain a competitive advantage through delivering improved banking services and ensuring higher standards of speed and accuracy (Masoud & El-Sherif, 2002). These banks are attempting to fulfil the duties of commercial banks on a par with those of other commercial banks worldwide. With regard to the private commercial banks, their strategy is to deliver what Libyan customers require from a bank, as well as that which foreign investors are seeking in terms of banking services (Kumati, 2008). The banks provide loans, discount bills, process cheques, issue letters of credit (LCs), and bills for collection as well as providing foreign and local letters of guarantee.

Furthermore, the private commercial banks are seeking to be at the forefront of high-technology banking services (Masoud & El-Sherif, 2002). In addition to conventional banking services and the services provided to a number of major local and foreign companies the banks provide a bundle of differentiated new services to their personal banking customers, including, but not limited to, telephone banking, travellers' cheques in Libyan dinars, safety deposit boxes, internet services, touch-screen services, drive-in banking, and automatic teller machines (ATMs) (Kumati, 2008). However, the number of customers who have to date found private commercial banks to be a more attractive proposition is relatively small for the following reasons: the government's insistence on paying salaries into public commercial banks, mistrust of the banking system in general, and a general ignorance of the advantages associated with the new technology which is being potentially offered to Libyan customers.

Currently, Libya's private banks enjoy a reputation for delivering high quality of service and providing their customers with superior products and fast, efficient services. The private banks act in this manner for several reasons: first, and most important, to keep their customers happy; second, to attract more customers to their banks: third, the limited services offered by the public commercial banks allow the private banks the opportunity to offer more diverse and efficient services (Kumati, 2008). Thus, they provide modern services, such as ATM machines, money transfers, and travellers' cheques, as well as

internet banking. A further advantage is the provision of valuable financial advice to their clients (Kumati, 2008).

As a result, private commercial banks, by their very existence, have created competition within the Libyan banking sector, not only in terms of banking services, but also in terms of persuading the management of public commercial banks to pay greater attention to their financial statements, as well as to their profits and losses. However, private banks do not undertake superior accounting as a spur to the public banks, but rather in order to attract both foreign and domestic customers, and to manage their own companies more efficiently and effectively (Kumati, 2008).

The quality of the assets possessed by private commercial banks is relatively strong, particularly in comparison with the public commercial banks and even by international standards. Most loans are of good quality, including real estate loans secured by mortgages, with banks accordingly focusing on long-term facilities (Kumati, 2008). However, some Libyan bankers declare that the rapid horizontal expansion of the private commercial banks in the form of opening new branches and agencies may ultimately result in banks losing control of their resources in the future (Kumati, 2008). In this regard, all commercial banks, both public and private, need to understand what it is that their customers require from a bank, and whether the majority of Libyan customers actually want improved technology, Islamic services, or flexible investment options. It is quite likely that a demand does exist for all three of the aforementioned services; however the question remains as to what proportions apply? It is hoped that the perceptions of service quality presented in the research will provide the so-far dominant public sector with the necessary information to keep their customers satisfied, and retain their trust through future improvements.

2.4 The Accounts of Libyan Commercial Banks

By contrast to Libya, it is not unusual in many other countries, for citizens not to have a need for banks in order to be able to deposit and gain access to their money quickly and easily (El-Shukri, 2007). Various organisations, such as credit unions, mutual funds, and brokerages all offer cheque and savings services similar to those that Libyan commercial banks offer. Importantly, banks provide such services for different types of client, ranging from individuals and start-up companies to major corporations (Morgan, 2009).

Generally speaking, before clients take the steps to open an account with a bank, they compare bank performances and the range of services. People will have a list of basic facts available to them for comparative purposes, prior to progressing and making a choice. Markedly, decisions are made on the basis of a wide range of service features: the level of fees, convenience, proximity of the bank or its nearest branch, the length of waiting time before being served, opening and closing times, the size of the network, the minimum deposit required to open an account, account limitations, and access to funds (Kilani, 1988). Such matters are important as all the banks will have different rules and features (Kumati, 2008).

With regard to Libyan commercial banks, in 1989, departments specialising in comptometer affairs and developments were established. It was to these departments that the development task was entrusted. This system was then generalised throughout the commercial bank branches. The procedure prompted a swift progression from a basically manual system of dealing with accounts to the present almost fully automatic computerised system (Central Bank of Libya, 2008). On this basis, other lateral systems were introduced, such as promissory notes, salaries, and other systems, all deemed necessary for avoiding default at the time. In 1991, a new central system was adopted with the capacity to control all of a bank's records and operations, and which can be generalised throughout all the bank's branches and agencies (Central Bank of Libya, 2008).

However, in terms of variety, Libyan commercial banks continue to offer a narrow variety of accounts and services. Accounts can broadly be divided into three main types: current accounts, savings accounts and fixed-period deposits.

2.4.1 Current Accounts

A bank account can be defined as 'an arrangement by which a person or company keeps money in a bank and takes it out when needed'. Thus, in this context, a current account is 'a bank account from which money or cheques can be drawn without notice (Oxford Business Group, 2010).

Opening a current account in a Libyan bank can be undertaken in either Libyan Dinar or foreign currency. Current accounts at Libyan commercial banks, either state-owned or private, are not dissimilar to those operated by international commercial banks. Commercial banks offer such accounts to individuals, public sector companies, and

foreign companies in accordance with the Secretariat of the General People's Committee Decree No. 263 relating to administrative contracts (El-Shukri, 2007).

When a comparison between private commercial banks and state-owned banks is made, it can be noted that the former provide all current bank accounts in a most advanced yet simple manner. Current accounts in Libyan commercial banks are characterised by the following: they do not attract interest, the banks provide clients with cheque books, withdrawals are made within the available balance, and some banks provide banking card proof that the balance covers the amount withdrawn (Morgan, 2009).

With specific regard to salaries, clients are immediately permitted to withdraw up to 50% of their salaries against their next salary. Clients are also granted social loans against guaranteed salaries (Khalaf, 2007). The highest loan ceiling has been fixed at 10,000 LYD, which must be repaid by means of long-term convenient instalments. Such instalments are equal to one-third of a person's salary. Real estate loans are also granted for a period of thirty years under the same conditions.

It should be noted that the increasing degree of risk from fraud and theft which is associated with Libyan society is causing banks to impose conditions in terms of the way in which they operate current accounts. In addition, constant changes in legislation are regarded as increasing the risk that funds or deposits may not be returnable, however, banks are not entitled to seize private property owing to the fact that the law does not allow this to occur (Oxford Business Group, 2010). Consequently, the banks, as well as depositors and shareholders, are in a position where they may lose their money. As a result commercial banks increasingly retain money which was intended for investment. This currently amounts to billions of Libyan dinars, and is severely and negatively affecting investment opportunities within the country (Khalaf, 2007).

In 1986, banks commenced preparations to computerise their businesses, signing contracts with specialised local organisations with the intention of preparing to release the current account system from the repetitive drudgery of using NCR machines (Kilani, 1988).

2.4.2 Saving Accounts

Keeping money and funds at home can be subject to risk, whether from impromptu expenditure or otherwise from theft. In order to safeguard themselves from the nightmare of forfeiture, individuals deposit their surplus funds in bank savings accounts (Central Bank of Libya, 2005). By means of saving, people transfer their purchasing power from the present to the future. At the same time, this enables banks to use such funds for various investment projects. They encompass supplying credit for financial, construction, manufacturing, and services projects. Meanwhile, funds continue to belong to their owners. In this context, the Libyan commercial banks provide two different types of savings accounts, one with interest and one without. As these interest rates are centrally determined by the CBL, the rates are similar across the country. Previously, the interest rate was the limit between 5% and 6% according to the amount held on deposit. The interest from 1 LYD to 20,000 LYD was fixed at 6% per annum; from 20,000 LYD to 100,000 LYD, the interest rate was 5% per annum; above 100,000 LYD, no interest was paid. More recently, however, the CBL has fixed an interest rate of 3% for all amounts (Central Bank of Libya, 2008).

Nevertheless, the majority of Libyans still prefer to invest their savings in capital assets, such as houses and gold, rather than placing them in banks. These traditional preferences have been reinforced owing to previous experience with the banking system, as highlighted before, and also on account of the higher returns which can be garnered through the building of offices and houses for foreign investors (Oxford Business Group, 2010).

On the other hand, the lack of suitable local investment opportunities leads banks to maintain a greater degree of liquidity, thus requiring minimal effort in order to attract local savings (Oxford Business Group, 2010). It is also worth mentioning that some private commercial banks encourage young investors, such as children, by opening special banking agencies for them.

2.4.3 Other Banking Services

In addition to the accounts mentioned previously, Libyan commercial banks also offer other financial services, such as letters of credit, especially for contracts following the submission of a visibility study and a check to determine the existence of a sound credit

status (Abdullah, 1994). Libyan commercial banks also open letters of credit for commercial transfers, including credit split (Central Bank of Libya, 2000).

In the past, when linking with some international financial institutions, Libyan commercial banks used to offer various other services, such as travellers' cheques and credit cards within a limit of 10,000 LYD (El-Shukri, 2007).

2.5 Central Bank Control over the Adoption and Enforcement of International Best Practices

In terms of modernising the banking sector, the Central Bank of Libya (CBL) is pivotal to the state's efforts to enforce a range of controversial policy changes which are considered to be fundamental for moving Libya from an economy dominated by a single productive sector (oil) and a politically controlled and over-manned public sector to a more diversified, economically open economy (Oxford Business Group, 2010).

The CBL is no longer recognised as the holder of the resources possessed by the rest of the banking sector. Although it retains substantial influence over domestically-owned banks, its focus has moved from ownership and operations, to supervision and the enforcement of compliance with best practices within the banks (Masoud & Sherif, 2002).

CORE FOCUS: By 2009–2010, the focus of the CBL had changed to that of improving the strength of Libya's banking infrastructure and, accordingly, ensuring that the commercial banks are adequately capitalised (Almasri, 2010). Domestic banks have been encouraged to upgrade their IT and payment systems in order to improve the flow of financial capital across the system and to subsequently speed up settlements for both businesses and individuals (Khalaf, 2007). More specifically, the CBL has been applying pressure to banks to complete the implementation of actual gross settlement computerised processing of cheques and the introduction of automatic teller machines (ATM), whilst simultaneously seeking to develop the overall strength of the banking system as a whole.

Owing to such initiatives, many financial products are now available, and there has been a gradual movement towards 24-hour banking witnessed, supported by real-time settlement, eliminating the former time delays that had previously hampered financial transactions in the past (El-Shukri, 2007). At the time of writing, it is expected that the banking sector will introduce internet-based banking facilities in the near future.

The CBL has placed considerable emphasis on the importance of Libya's smaller, private commercial banks training their staff, believing that this will allow them to form alliances with strategic foreign partners, and enable the transfer of technology and knowledge. In addition, the CBL has also focused on improving the communications and internet infrastructure within the banking system, necessitating the introduction of reliable, high-speed technology solutions such as fibre optic broadband and satellite links (Oxford Business Group, 2010).

2.6 Banking in Libya –Country-Specific Perspective

As the focus of this study is on the perceptions of service quality made by customers of Libyan commercial banks, it is appropriate to provide at this juncture a brief overview of the situation encountered by Libyan bank customers who may be regarded as unusual or culturally distinctive.

For a number of years, the main function of Libya's public commercial banks was to receive and, accordingly, distribute public-sector salaries. The government requires the payment of these salaries, which constitute at least part of the income of most families in Libya, directly into accounts held by state-owned commercial banks. The impact of this action provides the four main commercial banks with a customer base, as a result of which they need to invest minimal effort to attract or retain customers. There has thus been only a nominal incentive for these banks to update their procedures or their technology and, at the time of writing, manual banking systems continue to be utilised by such establishments, whilst new technology is only partially implemented. Importantly, basic transaction facilities are made available to customers, namely account balances and staff payroll systems; however, any kind of networking between the banks' headquarters and their branches remains lacking. Customers are required to wait in queues in order to make withdrawals or payments and, although they possess cheque books, they can only be utilised for making a withdrawal (Central Bank of Libya, 2008).

Essentially, credit systems within Libya are uncomplicated and based on face-to-face transactions, and the degree of confidence which previously existed in the banking system has been damaged considerably by the currency restrictions of 1980, at which time customers were only permitted to exchange their existing currency once a week (Kumati, 2008). Accordingly, a number of people have stated, and continue to declare,

‘We are not going to save or deposit our money in a bank. Let us keep our money in our pockets’. In this regard, to date most Libyans prefer to carry out transactions in cash (Almasri, 2010).

A major cultural factor is the insistence by Libyan customers that female customers be treated separately from male customers.

Banks are expected to provide different windows from which women can conduct their business, and queues for service are also kept separate in accordance with gender. In this vein, men are content to see female customers given priority on the basis that they should be treated with respect and be free to return to work or home quickly (Khalaf, 2007).

Banking, much like all facets of life in Libya, is subject to the effect of influence, or ‘wasta’ in Arabic. A customer who knows someone in a bank or who has relations working there is more likely to be able to conduct their business speedily and effectively. Bureaucratic requirements are circumvented, and it may be possible, for example, to arrange a loan via a single phone call if the necessary social connections exist.

In addition to influence from family or kinship connections, it is also necessary to stress the importance Libyans place on personal relationships in terms of managing their daily lives. Ties of kinship and friendship make life easier, and customers of institutions, such as banks, are more likely to base their preferences and selection of bank and branch on the people who work there and the closeness of their relationship.(Kumati, 2008). It is thus pertinent to highlight the fact that female customers often do not drive and have limited time to conduct their business: as a result they are more likely to select a bank close to their home or place of work. It can therefore be seen that various considerations, such as simple comparisons of products and services, play a significant role in the choices Libyans make with regard to the banks they use, and their perceptions of the levels of service they are offered.

2.7 Summary

Libya is an environment with great potential for expansion in all types of business, particularly that of the banking sector. It needs people who can develop and manage its natural resources and people with knowledge and technological skills rather than simply

capital. An overview of the evolution of the banking industry in Libya was undertaken in this chapter, designed to provide a context for the empirical evidence arising at a later stage in the thesis. A brief review of both Libyan banking and non-banking financial institutions has been provided and a brief review of the central bank's control over the adoption and enforcement of international best practices has been given. The chapter has also considered the outlook for Islamic banking services in Libya and offered a personal perspective of banking in Libya.

In the following chapter, the researcher will review and analyse the relevant academic and professional literature on the subject of service quality in general, with the aim of understanding the appropriate role of service quality in the banking sector in particular, and presentig a wide background to the research study.

Chapter 3 AN OVERVIEW OF SERVICE QUALITY

3.1 Introduction

Today, the service sector accounts for significant proportion of the economic activity in many countries. According to the Organisation for Economic Co-operation and Development, more than 70 percent of people worldwide are employed in the service sector (Arasli, Mehtap-Smadi and Katircioglu, 2005). This is particularly true of more highly developed economies, for instance, Kotler (2003) states that in the USA 79 percent of all employees hold jobs in the service sector and services represent 76 percent of US GDP. Services are complex in nature due to their common characteristics, which include intangibility, heterogeneity, inseparability and perishability (Arasli et al., 2005). The importance of the services sector, and the characteristics outlined above, have also intensified the onus on companies to provide superior service as a means to improving financial performance and attracting and retaining customers in highly competitive environments (Wang et al., 2003).

Therefore, the provision of a high level of service quality is increasingly recognised as being one of the key strategic drives of value within organisations in both the service and manufacturing sectors, (Lewis 1991). Service industry companies play a vital role in the global economy. For, example, Jannadi & Saggaf (2000) found a positive relationship between service quality and organizational performance. They indicated that systematically high service quality has led to a higher market share, higher returns on investment and asset turnover.

Furthermore, competition is recognised as having a service-focused nature to the extent that companies have come to acknowledge the inadequacy of the solely technical solutions offered to customers when they strive to achieve a competitive edge (Abdelaziz, 2001). Accordingly, the provision of services with a greater level of quality is considered fundamental to the efforts of service providers in order to ensure they can attain a good position amongst the competition (Brown & Swartz, 1989; Parasuraman *et al.*, 1988). This is due to the fact that quality, as recognised from the perspective of the customer, is a critical foundation which they take into consideration in terms of utilisation of other companies' services (Bharadwaj et al., 1993).

From the service provider's viewpoint, high quality service provision can reduce the costs inherent in attracting new customers and, at the same time, increase customer satisfaction, enhance customer loyalty and improve customer retention rates (Newman & Cowling, 1996).

When the banking sector has been considered in general, much emphasis has been placed on service quality in order for businesses to achieve success and ensure survival (Cui, Lewis & Park, 2003). The deliverance of high-quality service facilitates the fulfilment of numerous modern banking requirements, including achieving customer satisfaction, attracting new customers, and ensuring improved financial performance, profitability and productivity (Julian & Ramaseshan, 1994; Lewis, 1989, 1993; Llosa et al., 1998). Moreover, this has also become a key area of interest amongst scholars owing to its valuable link with financial performance and marketing (Cui *et al.*, 2003).

The relevant literature has been reviewed, and found to highlight two different areas of emphasis with regard to service quality research (Gounaris et al., 2003). The identification of service quality dimensions was originally the fundamental concern of scholars (Parasuraman et al., 1985, 1991b); however, subsequently, the design of tools to facilitate the measuring of service quality has become a critical area for consideration (Parasuraman et al., 1988, 1991a, 1993; Cronin & Taylor, 1992, 1994; Asubonteng *et al.*, 1996; Buttle, 1996). This chapter is therefore dedicated to the conduct of a literature review with regard to service quality and its related subjects.

This chapter is divided into fifteen main sections. The next section discusses the nature of service. A definition of quality and service quality is presented in section 3.3. The importance of service quality is illustrated in section 3.4. This is followed by a presentation of the relationship between service quality and customer satisfaction in section 3.5. A discussion of service quality expectation and perception ensues in section 3.6., followed by a presentation of banker's perceptions of customers' expectations in section 3.7. A discussion of conceptual models of service quality occurs in section 3.8, whilst section 3.9 highlights the dimensions of service quality. Service quality measurement is discussed in section 3.10. Section 3.11 covers the importance of service quality measurement to the banking industry and there is an overview of studies on service quality in the banking sector in section 3.12. The implications of the literature as regards service quality in Libya are discussed in section 3.13, justification for the use of

SERVQUAL is illustrated in section 3.14 and the reason for the increased attention being paid to service quality is presented in section 3.15. Finally there is a discussion of the role of employees in successful service quality in section 3.16 whilst section 3.17 presents a summary of this chapter.

3.2 The Nature of Services

According to Haynes (1990), a service is defined as ‘a transaction providing a deliverable keyed to an expected customer need, regardless of the tangibility characteristics’. Juran & Gryna (1993) also defined a service as ‘work performed for someone else’, which falls within the framework of a given relationship. A relationship, on the other hand, usually refers to that between the customer and the provider of the service. A service was regarded by Kotler & Armstrong (2001) as ‘any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything’. Moreover, Grönroos (2000, p. 46) held the belief that a service should be treated as ‘a process consisting of a series of more or less intangible activities that normally, but not necessarily always, takes place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to the client problem’.

It is evident that the above definition assumes that a service is an activity or a set of activities offered by a service provider to customers, the aim being to fulfil their demands. The service provider thus supplies a service for end customers with the aim of maximising customers’ satisfaction during the transaction and consumption of the service. In return, customers relay their judgments on the service received or consumed. Such a subjective attitude towards the service is expected to have a significant impact on the evaluation of the service quality received.

3.2.1 Characteristics of Services

There has been little understanding of the potential differences between the concept of quality in the manufacturing industry and that in the service industry. Nowadays, it is understood that the service industry offers important characteristics that make it substantially different from manufacturing in terms of quality. Notably, five main characteristics have been highlighted by several authors (e.g. Svensson, 2004; Walters & Dana, 2004; Zeithaml & Bitran, 2003; Parasuraman *et al.*, 1993) as follows: intangibility,

inseparability, perishability, heterogeneity, and ownership. Each of these is discussed further below.

Intangibility: Services are, in most cases, intangible in nature (Bateson, 1977; Shostack, 1977; Berry, 1980; Lovelock, 1981), meaning that it is difficult for the producer and the consumer to quantify or describe the likely virtues of a given service. Owing to such intangibility, firms may find it difficult to understand the way in which consumers perceive service and, accordingly, evaluate service quality (Zeithaml, 1981). According to Parasuraman *et al.* (1985), exact manufacturing specifications of a service cannot be ascertained as services involve the delivery of a performance or action as opposed to the transfer of the ownership of an object. Consequently, most services cannot be counted, measured, tested or verified prior to sale in an attempt to ensure quality.

Inseparability: It has been reiterated that the production and consumption of many services are inseparable (Regan, 1963; Gronroos, 1978; Carmen & Langeard, 1980; Upah, 1980). In service industries, the provider often creates or performs the service at the point in time at which it is consumed (Dibb *et al.*, 2006). Owing to high visibility in the conversion process, it is therefore not possible to hide away errors or any quality shortfalls. In addition, the involvement of the customer in the process introduces an additional factor over which management has little or no control.

Furthermore, owing to the visibility of service provision, it is highly likely that the reaction of a group of customers may have an impact on the expectations of service quality of another group of individuals (Regan, 1963; Gronroos, 1978; Carmen & Langeard, 1980; Upah, 1980).

Perishability: As Ghobadian *et al.* (1994) have reiterated, unlike manufactured products, services cannot be stored for any given period of time for consumption later; this means that services are perishable and that the service provider must make sure the service is appropriate each and every time. Furthermore, it is now customary for producers to add extra value to their products by providing add-on services, such as after-sales care, competitive insurance, and online/telephone help facilities. Such methods of customer care have led to a further closure of the gap between goods and services, hence enabling the providers of a specific service quality to enjoy a competitive advantage.

Heterogeneity: The concept of heterogeneity arises from the fact that, for a given service, such as opening a current account in a bank, different providers offer a different service quality at different times (Parasuraman et al., 1985). In industries such as retail banking, which are both labour intensive and have large product portfolios, the buyer cannot assume there will be consistency in staff behaviour and, therefore, consistency of service performance and quality (Berry et al., 1985; Booms & Bitner, 1981; Langeard et al., 1981; Howcroft, 1993). Consequently, the services buyer is in a position of much greater perceived risk than the buyer of goods, which tend to be significantly easier to standardise (Eiglier & Langeard, 1977; Guseman, 1981; Zeithaml, 1981).

Ownership: (a customer may only have access to or use of an activity or facility). In the sale of goods, after the completion of process, the goods are transferred in the name of the buyer and he becomes the owner of the goods. But in the case of services, we do not find this. The users have only an access to services. They cannot own the service.

For e.g. a consumer can use personal care services or medical services or can use a hotel room or swimming pool, however the ownership remains with the providers.

Judd (1964); Wyckham et al. (1975) and Kotler (1986) have identified the concept of ownership as a distinguishing feature of services. With the sale of a good the purchaser generally obtains ownership of it. By contrast in the case of a service, the purchaser only has temporary access to or use of it: what is owned is the benefit of the service, not the service itself, e.g., in terms of a holiday the purchaser has the benefit of the flight, hotel and beach but does not own them. The absence of ownership stresses the finite nature of services for purchasers; there is no enduring involvement in the product, only in the benefit.

3.3 Defining quality and service quality

The concept of service quality has been the focus of much attention from scholars in marketing research and operations management, with a number of research studies conducted by practitioners and scholars suggesting that service quality has a keen link with customer loyalty, customer retention, customer satisfaction, financial performance, manufacturing costs, and the success of marketing strategy (Cronin & Taylor, 1992; Cronin et al., 2000; Duncan & Elliot, 2004; Wong et al., 2008). Businesses functioning in the service sector view service quality as a fundamental aspect of their marketing (Lewis

& Mitchell, 1990; Spathis et al., 2004). In this way, businesses recognise the potential to achieve good levels of customer satisfaction, improved service quality, and an on-going competitive edge (Lewis & Mitchell, 1990; Meuter et al., 2000; Guo et al., 2008).

Owing to various cultural and environmental impacts, service consumers consider service quality differently dependant on location, thus, management primarily needs to acknowledge that environmental elements may influence perceptions of service quality, and that there is a need to clearly outline and conceptualise service quality. Essentially, organisations benefit through good levels of service quality, however, this is especially applicable to banks. As has been suggested by Hawari & Hartley (2005), perceptions of customer service quality have a notable impact on the success of banks.

3.3.1 Defining quality

One of the earliest definitions has been offered by Gilmore, (1974) who argued that the quality is composed of a certain number of characteristics specific to a product that could satisfy the wants of a specific consumer. Quality is often considered in terms of obtaining success. It is one of the major concerns of firms and remains a strategic variable affecting production and marketing strategies in many service companies (Bowen & Hedges, 1993). Thus, a key existing problem facing the banking industry is the determination of a clear and precise definition of quality (Collier & Bienstock, 2006).

There is no general consensus about the definition of quality; therefore, researchers have defined quality in different ways. Some researchers have suggested that quality is about focusing on meeting customer needs and requirements (Crosby, 1979 and Yi, 1990). “Quality” is defined as “satisfying customer’s requirements” or “fitness for purpose” (Ghobadian et al., 1994). The definitions of quality put forward by Deming (1986); Feigenbaum (1986) and Ishikawa (1985) fall within this category. This approach relies on the ability of the organisation to determine customers’ requirements and then meet these requirements. Quality can also be defined as satisfying, or exceeding, customer requirements and expectations and consequently, to some extent, it is the customer who eventually judges the quality of a product (Shen et al., 2000). The quality of services performed can only be assessed during or after consumption (Audhesh et al., 2005). The more complex and personal the service, the more “detective” work customers are likely to undertake (Berry et al., 2006). Holbrook and Corfman (1985) have suggested that quality

is a global concept of value. According to Olshavsky, (1985) quality is a type of overall evaluation of a product.

Parasuraman et al., (1985) defined quality as meeting customers' expectations. This definition is supported by Lewis (1993) who likened it to matching the quality representing the degree of service delivery with a customer's expectations on a consistent basis. Parasuraman et al. (1985: 42) also voiced the same concerns that research into services quality becomes difficult due to three characteristics inherent in services, i.e. intangibility, heterogeneity and inseparability of production and consumption. They also suggested the following three underlying concepts after reviewing previous studies on the subject of services:

1. Service quality is more difficult for the consumer to measure and evaluate than the quality of the goods.
2. Service quality perceptions originate from an assessment of consumer expectations in comparison with actual service performance.
3. Quality evaluations are not only concerned with the outcome of service but are also involved in assessments about the process of service delivery.

Quality usually occurs during the service delivery, as an interaction between the customer and contact personnel of the service firm (Zeithaml et al., 1988; Karatepe & Avci., 2002). The other way to reflect quality is through operational efficiency. In other words, if an organisation can determine the most efficient way of producing products and services, without wasting time and resources, and restore unsatisfactory services, it will also become more successful (Othman and Owen, 2005:70). Therefore, planning and determining an effective strategy is the first essential step for achieving operational efficiency, leading to better service quality.

The diversity of concepts linked to quality has resulted in an indefinable or vague construct of the many distinctive features such as intangibility, inseparability of production and consumption, heterogeneity, ownership and perishability differentiating the services from physical goods (Zeithaml et al., 1985; Cronin & Taylor, 1994; Caro & Garcia., 2007).

3.3.2 Defining Service Quality

Many researchers have defined service quality in different ways. For instance, Parasuraman et al (1985) defined service quality as the comparison between customer expectations and perceptions of service. According to Eiglier & Langeard (1988), the underlying purpose of exceeding customer expectations is to enhance customer satisfaction. Cronin & Taylor, (1992) viewed service quality as a form of attitude representing a long-run overall evaluation. Bitner et al., (1994) also defined service quality as 'the consumer's overall impression of the relative inferiority / superiority of the organisation and its services. This appears to concur with Roest and Pieters (1997) definition that service quality is a relativistic and cognitive discrepancy between experience-based norms and performances with regard to service benefits. Service quality has been defined as the overall assessment of a service by the customers (Eshghi et al., 2008), whilst other studies have defined it as the extent to which a service meets customer`s needs or expectations. During the past two decades, service quality in banking industry has become a major area of attention to practitioners, managers and researchers because of its strong impact on business performance, lower costs, customer satisfaction, customer loyalty, gaining higher profit and return on investment (Wafaa and Abderrezzak, 2014). Providing excellent service quality is widely recognised as a critical business requirement (Van der Weile et al., 2002; Vilares & Coehlo, 2003; Voss et al., 2004). Service quality is acknowledged as a valuable tool for sustaining competitive advantage, especially for businesses that operate in the service industries. Jun & Cai (2001) declared that research in the service management literature emphasizes that the ultimate goal of the service provider is meant to be focused on exceeding customer expectations.

Service quality as a concept has led to significant interest and debate in the research literature on account of the difficulties in its definition and measurement (Wisniewski, 2001). In spite of the enthusiastic efforts of various researchers who have studied the concepts of service quality for several decades, focusing on different aspects of service, the absence of a clear and accurate definition of service quality has become a key problem in the banking industry (Cronin & Taylor., 1992; Rust & Oliver., 1994 and Al -Mani et al., 2007).

Various concepts concerning service quality frequently revolve around the idea that it is the result of the comparison between a customer's expectations regarding a

service and their perceptions of the way it has been performed (Grönroos, 1984 and Parasuraman et al., 1985, 1988, 1991 and 1994; Ladhari., 2009). However, Cronin & Taylor, (1992) in line with their idea that "service quality should be measured as an attitude", measured service quality using a model built around 22 perception items of SERVQUAL scale without any measurements for customer expectations.

Service quality has become an important research topic owing to its strong impact on customer satisfaction (Bolton & Drew, 1991; Boulding et al., 1993) and customer loyalty (Caruana, 2002; and Koutouvalas & Siomkos., 2006). Many studies have tried to establish the relationship between service quality and customer satisfaction (Grönroos, 1978, 1982; Parasuraman et al., 1985; Reichheld & Sasser, 1990; Sewell & Brown, 1990; Jones & Sasser, 1995; Heskett et al., 1997; Anderson and Mittal, 2000; Khalifa and Liu, 2002). These studies have acknowledged the presence of a strong positive relationship between service quality and customer satisfaction and they have investigated whether customer satisfaction influences behavioural tendencies more than that of service quality or whether the opposite prevails. More specifically, there exists a considerable debate regarding whether service quality precedes satisfaction or satisfaction precedes service quality?

On the other hand, many researchers have defined service quality as the difference between customers' perceptions and expectations with regard to a particular service. If perceived expectations are greater than actual performance, then perceived quality would be less than satisfactory, resulting in customer dissatisfaction (see for example, Lewis & Booms, 1983; Grönroos, 1984; Lewis & Mitchell, 1990; Zeithaml et al., 1990; Boulding et al., 1993 and Asubonteng et al., 1996; Akbaba.,2006; Ladhari., 2009). Several practitioners have defined service quality as the difference between customer's expectations of the service encounter and the perceptions of the service received (Munusamy et al., 2010).

Johns & Karatepe (2004) have defined service quality from the perspective of an evaluation process, whereby the consumer contrasts the perceived service with the expected service. The outcome of this process is the perceived quality of the service. Similarly, perceived service quality was defined by Parasuraman et al. (1985) as a global judgment or attitude relating to the superiority of excellence of service. Many researchers such as Bitner (1990); Bolton & Drew (1991); Cronin & Taylor (1992) and Akbaba

(2006) have agreed with this definition in which the construct of perceived quality has been made as the difference between perceptions and expectations. Thus, in the banking sector, perceived service quality results from the difference between customers' perceptions of the service offered and the service delivered (Kagnis and Voukelatos, 1997; Seth et al, 2005).

The suggestion has been made that, through the involvement of consumers in explaining the concept of service quality, it has become imperative that the service quality level provided by the business is first established, thus, service quality level may be explained as the link between the perceived and expected service in the view of the consumer. Moreover, the involvement of consumers throughout the process of co-service could ultimately improve awareness concerning the issues of maintaining the correct level of service quality, as noted by Edvardsson et al (1994). Nevertheless, certain criterion are utilised by customers when explaining and assessing the service quality of a business. For example, service quality, as defined by Parasuraman et al (1985, 1988) above, is a conceptual definition that combines the criterion of customers for various kinds of service. Nevertheless, a number of different aspects are lacking through this particular definition, including emotion and effect, individualised service, the quality associated with interpersonal relationships between providers of services and customers, service provider effort and social support (Brown & Swartz, 1989; Mohr & Bitner, 1995; Ashforth, 1993; Adelman & Ahuvia, 1995; Berry, 1995).

A further definition has been provided by Kelemen (2003), who explained the concept of service quality as the removal of the gap between the perceptions and expectations of consumers. The academic further suggested that customers individually hold unique and specific criterion when defining service quality and, as such, it should be recognised that the expectations of consumers cannot be predicted or generalised.

Owing to the degree of contrast and difference in the definitions provided with regard to service quality, the concept has been described by some in line with its measurement context as the degree to which compatibility can be observed between the expectations of the customer and the service standard provided to the customer. On the other hand, others consider it to be the function of consumer expectations that spans beyond the product or service, subsequently encompassing all elements of the link apparent between the consumer and the business (Edwards & Elliott, 1994). A similar

perspective is adopted by Parasuraman et al., (1988), who considered service quality to be a measurement of the idealistic service delivery level fulfilling the expectations of consumers.

By contrast with the definitions highlighted above, service quality was viewed by Caruana (2002) as being the result of two-dimensional views, namely process and output. In a similar vein, the framework presented by Gronroos (1984, 1990) provides an explanation of the two dimensions: process, otherwise known as the functional element, references the way in which the process end result is transferred to the customer, i.e. how service is delivered, how staff carry out their jobs, and the views of customers. Secondly, output, sometimes referred to as the technical aspect, references that which is delivered to the customer, such as a meal provided by a restaurant or a solution delivered by a consultant.

According to Palmer (1994), placing emphasis on service quality definitions with regard to the views of customers, service quality may be explained as the perceived service performance level, which is seen to be in line with the view adopted by Liljander & Tore (1995) that service quality is the recognised service level derived from the evaluation of the difference apparent between service performance and service expectations. Moreover, the argument has also been posed that, if expectations are lower than perceptions, there will be high service quality levels (Parasuraman et al., 1988). Thus, service quality can be measured through establishing and recognising the expectations and perceptions of consumers. This provides clear support of the view that definitions of the service quality concept depend on abstract dimensions, namely expectations, perceptions and satisfaction. As a result, the measurement of service quality can be achieved through establishing the differences between abstractions.

For example, if service quality is defined as the difference between expectations and perceptions from which the level of satisfaction can be derived, it seems logical that measuring the difference between the two will lead to not only a definition of service quality but also a measurement of its existence or nonexistence, regardless of what 'quality' may be (Parasuraman et al., 1988). Essentially, the measurement of such differences is referred to by Parasuraman et al. (1985) as gap analysis.

Regardless of the above, however, service quality also encompasses a number of general definitions which deliver insight into the way in which work should be carried out. For example, a number of organisations complete quality policy design in consideration of the services provided, which is then used as a foundation for all works carried out, in addition to guidelines on the way in which the organisation should deal with consumers. As can be seen in table 3.1, there are a number of different definitions of service quality utilised by service-centred entities.

Table 3-1 General Definitions of Service Quality

Organisation	Service Quality Definition
American Express:	“Quality is our only form of patent protection”
Federal Express:	“The presence of value defined by customers”
AT&T:	“Meeting or exceeding competitors’ quality”
Florida Power and Light:	“Meeting the desires and expectations of customers”
Marriot (American hotel chain):	“Quality is conformance to requirements. Requirements are determined and modified through continuous communication between customers, frontline associates and management”

Source: Edvardsson et al (1994, p. 80)

As an overall definition of service quality, it is suggested that there is the need to ensure service is directly linked with, and adheres to, the expectations of consumers, and fulfils their requirements, demands and desires, as acknowledged by Edvardsson et al. (1994). Accordingly, it is essential that customers’ requirements are understood and recognised, with these needs duly fulfilled. A professional and competent service provider should direct attention to customer needs and accordingly seek to fulfil them in order to achieve competitive edge.

It is acknowledged that definitions should be taken into account as they appear to provide clarity in terms of what service quality concerns. Notably, such definitions have been utilised widely for several decades (see table 3.2).

Table 3-2 Frequency of Service Quality Definitions over the Last Four Decades

Author and Year	A	B	C	D	E	F
Sasser <i>et al.</i> (1978)	√					
Gronroos (1982)					√	
Gronroos(1984)	√			√		
Parasuraman <i>et al.</i> (1986)			√			
Lewis (1987)					√	
Gronroos (1990)				√		
Cronin & Taylor (1992)						√
Edwards & Elliott (1994)			√			
Palmer (1994)					√	
Liljander & Tore (1995)					√	
Ravald & Gronroos(1996)		√				
Turnbull & Moustakatos (1996)		√				
Chaston (2000)		√				
Caruana <i>et al.</i> (2000)	√					
Caruana & Malta(2002)				√		
Jabnoun & Al- Tamimi (2003)		√				√
Johnston & Clark (2005)						√
Petridou <i>et al.</i> (2007)		√				

A: The result of the comparison that customers make between their expectations about a service and their perceptions of the way that a service has been performed

B: A route to competitive advantage and corporate profitability

C: The measurement of the extent of compatibility between the standard of the service delivered to the customer and the customer's expectations

D: The outcome of applying the service's technical and functional dimensions

E: The perceived level of service coming from the assessment of the difference between the expectation and the performance of the service

F: Meeting customer satisfaction

After consideration of the aforementioned research studies, it can be seen that customers and service providers have varying perspectives on what service quality means and the way in which it should be defined. Following identification of the most commonly adopted definitions over the past forty years, as can be seen in table 3.2; service quality can be seen as being linked to the aims of a business to fulfil customers' requirements. It can also be recognised as a method through which competitive edge can be achieved, as well as the measurement of service standards in comparison with service expectations, the outcome of comparisons drawn by consumers regarding service, and the level of service perceived by examination of service standards compared with expectations. The various definitions highlight the intricacies associated with defining and conceptualising such a term, and further highlight the variation and lack of consensus in this regard. Garvin, (1988) further suggested that it is a very unclear concept, which can be understood clearly but which is ultimately difficult in terms of providing a definition. Therefore, service quality offers a number of different definitions, all possessing three key elements: fulfilling customer expectations, meeting service specifications, and satisfying customers. In order to define service quality as a way of achieving a competitive edge, it is essential that the service be specified, as well as the particular level at which it will fulfil the expectations, and subsequent satisfaction, of consumers as businesses may exceed the level of service quality delivered by rival businesses. Clearly, such three areas cannot be separated owing to the clear line between, them, as for example, by fulfilling the service specifications, the satisfaction and expectations of consumers will be fulfilled.

3.4 The Importance of Service Quality

The efforts made through research and development in the area of services have mainly concentrated on the realisation that improving service quality is the most prominent way of achieving competitive advantage (Zeithaml *et al.*, 1990; Carlson and O'Cass, 2011). According to Saghier, and Nathan (2013), service quality is an important concept in the service industry and is more important for financial service providers who have difficulty in showing their customers product differentiation. In so doing, a significantly large part of the global economy consists of firms within the service industry, which have deployed a variety of approaches with the objective of improving service quality so as to enhance customers' needs and satisfaction, hence gaining an advantage over competitors (Sureshchandar *et al.*, 2001). Consequently, many studies have evaluated the potential benefits companies can gain by offering superior service quality. As Buzzell & Gale

(1987) indicated, the provision of high-quality service paves the way for a firm to enjoy numerous advantages, such as a positive relationship between an organisation's performance and its service quality. Buzzell & Gale (1987) have also demonstrated that high service quality promotes a higher market share, and thus an improved return on investment and asset turnover. Lewis (1989), for example, analysed quality in the service sector, and subsequently concluded that organisations need to study service quality and collect data in this area in order to understand what quality means to their customers and what they consider quality to comprise, as well as the way in which it is measured (Lacobucci et al., 1994); in this regard, it can be seen that a company would be able to differentiate themselves from competitors in the market place (Morre, 1987).

A large amount of research has established that there is a direct link between service quality and customer satisfaction, with a direct impact on loyalty and market share, leading to greater productivity, higher profitability, lower costs, improved employee satisfaction, and hence reduced staff turnover (Anderson *et al.*, 1994; Berry *et al.*, 1985; Bolton & Drew, 1991; Caruana, 2002; Jabnoun & Al-Tamimi, 2003; Julian & Ramaseshan, 1994; Lewis 1989, 1991, 1993; Lassar *et al.*, 2000; Lewis, Orledge & Mitchell, 1994; Llosa *et al.*, 1998; Newman, 2001; Reichheld & Sasser, 1990; Wang *et al.*, 2003 and Uddin & Akhtar, 2012). In the context of this study, establishing a relationship between service quality and company performance is somewhat problematic owing to the four main Libyan commercial banks offering an almost similar and undifferentiated range of services, and, whilst the private commercial banking sector is seen to be growing, its growth, in the medium term, does not appear to provide a real or viable option for the large majority of Libyans. Likewise, as mentioned previously, the majority of Libyans work in public sector occupations and so, in order to protect the interests of public commercial banks, the state will only pay public-sector salaries into accounts held by these banks. It is therefore fair to argue that the service encountered in Libyan banks is subject to certain external constraints, which directly derived from the behaviour of the service provider and the perceptions of the customer.

3.5 Service Quality, Customer Satisfaction

In the competitive world of the service industry, it is vitally important that managers and academics understand and evaluate the degree to which service quality influences customer satisfaction and customer loyalty (Brown & Swartz, 1989). They are interested

in achieving a position that distinguishes customer satisfaction and customer loyalty once service quality is offered. Cronin & Taylor (1992) believed that service providers ought to be aware of whether their objective is to have customers who are satisfied with their performance, or whether they should attempt to offer the maximum level of perceived service quality. As highlighted by Baron and Harris (2003), the general nature of the causal relationship between quality and customer satisfaction must be a central and pivotal subject for academic debate. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers. Demographic characteristics should be considered by the bank managers to understand their customers (Al Kari and Chowdhury, 2014)

Whilst a large number of new models have been developed, researchers are still seeking a comprehensive way of determining how the goals of satisfaction and loyalty can be formulated through the provision of high-quality service. Initially, owing to the importance of service quality in attaining a competitive advantage, the distinction and association between service quality and customer satisfaction was at the forefront of many academic research studies (Brown & Swartz, 1989; Cronin & Taylor, 1992; Bloemer et al., 1998; Lassar *et al.*, 2000; Caruana, 2002; Baron & Harris, 2003; Beerli, Martin et al., 2004; Yavas et al., 2004; Ting, 2004; Zhou, 2004). More recently, however, the research centred on service quality has paid attention to customer loyalty and on the very premise that attracting new customers is much more tedious and expensive than preserving existing ones, with both Ndubisi (2005) and Pfeifer (2005) estimating that the cost of providing service to a loyal customer is five or six times lower than the cost of obtaining a new customer. Similarly, a study by Pont & McQuilken (2005) highlighted the strong relationship between customer satisfaction and customer loyalty, but also emphasised that satisfied customers are not necessarily always loyal customers. Pleshko (2009) and Al-Wugayan & Pleshko (2010), on the other hand, reported that there is no relationship between customer satisfaction and loyalty, but nevertheless acknowledged that their findings are in contrast to most other related research studies.

In applying SERVQUAL and identifying its dimensions, several studies have incorporated the relationship between quality and satisfaction, such as that of Siddiqi (2010), who stated there are three dimensions, tangibility, reliability and empathy, all of which have proven to be important contributory factors in the determination of customer

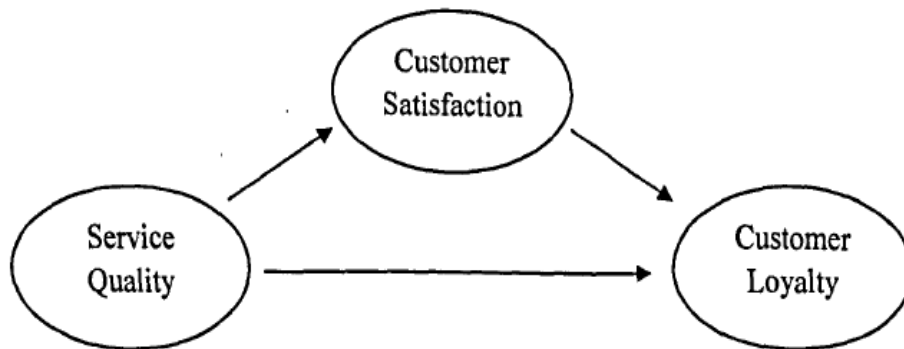
satisfaction. Mengi (2009), on the other hand, declared that responsiveness and assurance have proven to be important factors. Moreover, Lai (2004) and Kumar *et al.* (2010) identified assurance, empathy and tangibles as the most important factors, whilst Baumann *et al.* (2007) reported that these tangibles have not been found to be linked to customer satisfaction. Conversely, however, Ahmed *et al.* (2010) noted that their findings are indicative of the fact that empathy is negatively related to customer satisfaction.

Several pieces of research output in relation to the application of SERVQUAL in the retail banking sector have identified a number of deterministic factors of customer satisfaction. For example, Arasli *et al.* (2005) stated that the reliability dimension of SERVQUAL which was established in their study of the Greek Cypriot banking industry has had the largest impact on customer satisfaction. By contrast, a similar study into Greek Cypriot banks, conducted by Chaniotakis & Lympieropoulos (2009), concluded that reliability is not significant in the determination of customer satisfaction. Moreover, in the general financial markets area, Levesque & McDougall (1996) recognised that, whilst a competitive interest rate can be one of the most important determinants of customer satisfaction with a retail banking service provider, a good 'employee/customer' relationship is recognised as a more reliable factor in terms of increasing customer satisfaction, hence securing a competitive niche. Their findings also show that a service problem which goes unresolved has a substantial impact upon the customer's attitude towards the service provider. Such results confirm the importance of problem recovery in terms of maintaining customer satisfaction. They further declared that, during times of financial crises, customers tend to reduce their expectation of service quality, and thus if a service provider maintains its standards, this can improve its competitive advantage. However, the findings of Levesque & McDougall (1996) do not necessarily link satisfactory problem-recovery with an increase in overall customer satisfaction; rather, they argue that, in such a situation, firms must attempt to maintain the existing service quality to keep the level of satisfaction intact.

On a similar level, Jamal & Naser (2003) noted that the importance of convenience and competitiveness as crucial determinants tend to vary between genders, ages, and income groups. . As stated earlier, several attempts have been made over the years to model the relationships between service quality, customer satisfaction and customer loyalty, and that a number of such models are treated as relevant to the current

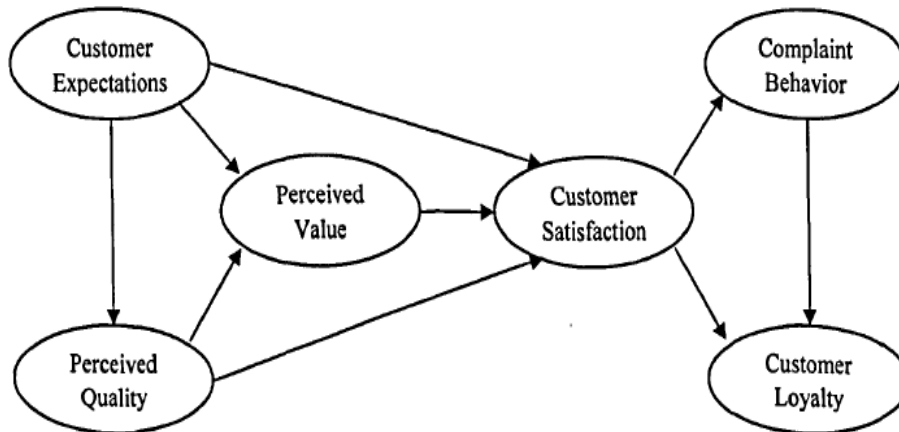
study. Caruana (2002) proposed a model to illustrate the basic interrelationship between the three factors, as shown in Figure 3.1.

Figure 3-1: Caruana's Model



Source: Siddiqi (2010, p. 8).

This model demonstrates that customer satisfaction is linked to customer loyalty, but that loyalty can also be attained directly through service quality. Although the model offers no distinction between different attributes of quality, it nevertheless provides some degree of insight into the formation of loyalty as a key competitive advantage. As a conceptual framework for carrying out an investigation into possible relationships amongst these three factors, Siddiqi (2010) utilised the data relating to the Bangladeshi retail banking sector, and found that 'customer satisfaction has a largely positive correlation with customer loyalty in the retail banking sector in Bangladesh' (p. 18). These findings tend to be in line with those reported by Kandampully & Suhartanto (2000), Reichheld (2006), and Cohen *et al.* (2007), and hence highlight the importance of service quality in aiming to retain profitable existing customers. Caruana (2002) identified that service quality can have a profound impact on customer satisfaction and loyalty based on a comparison of customers' expectations and the perception of a service and the way in which the service is actually performed. This implies that customer perceptions need to be managed and changed throughout the performance of service delivery and service failure/recovery efforts. Figure 3.2 demonstrates the relationship between these elements, known as the Basic American Customer Satisfaction Index model.

Figure 3-2: Basic American Customer Satisfaction Index Model

Source: Hu *et al.*, (2011, p. 190).

According to Hu *et al.* (2011), upon examination of many National Satisfaction Index models produced over recent years, the American model has proven to be the most popular and reliable in terms of reliability and validity, and is flexible enough to incorporate other relevant variables. Unlike other models, this particular framework introduces the concept of customer complaints and its overall influence on overall satisfaction and loyalty, thus suggesting that, when customers are dissatisfied, they will be faced with two choices: remain and ensure their voices are heard regarding a complaint, or leave and hence go to another provider. It may therefore be argued that complaints are a good sign of overall customer (dis)satisfaction, hence are an important element in understanding the true picture of customer loyalty. In addition, this model can be used as an underlining feature of perceptions and quality for the retention of customer satisfaction and loyalty.

As stated earlier, satisfaction should be seen as a customer's evaluation of the product or service that has been received. The satisfaction forms an important source of customer evaluations, and has been derived from the impact that satisfaction is posited to have on customer behaviour, such as loyalty, the intention to repurchase, and word-of-mouth recommendation as a source of marketing benefits. In support of this statement, Yavas *et al.* (2004) pointed out that service quality is expected to have a positive relationship with a range of customers' behavioural characteristics, both directly and via the mediating channel of satisfaction. As a consequence, Jonsson & Zineldin (2003) elaborated that the ability of banks to develop and enhance long-term customer

relationships in terms of satisfying existing customers must be regarded as the pivotal aim of any management strategy. To this end, they concluded that customer satisfaction has a positive effect on customer loyalty and retention.

According to Sivadas and Baker-Prewitt (2000), satisfaction also influences the likelihood of recommending a bank as well as repurchase. It fosters loyalty to the extent that it is a prerequisite for maintaining a favorable relative attitude and for recommending and repurchasing from the bank. Once customers recommend a financial institution it fosters both repurchase and loyalty towards that financial institution. Thus the key to generating loyalty is to get customers to recommend a service provider to others. Also, customers are likely to recommend a service provider when they are satisfied with the services and when they have a favorable relative attitude towards that service provider. Evans and Lindsay (1996) stated that companies with satisfied customers have a good opportunity to convert them into loyal customers who purchases from those firms over an extended time period. Today's highly competitive and dynamic corporate environment compels the financial institutions to have satisfied customers and retain them in order to survive and compete with other market players successfully. However, Bowen and Chen (2001) said that having satisfied customers is not enough, there has to be extremely satisfied customers. This is because customer satisfaction must lead to customer loyalty. Building customer loyalty is not a choice any longer with businesses. It is in fact the only way of building sustainable competitive advantage. Building loyalty with key customers has become a core marketing objective shared by key players in all industries catering to business customers. Sivadas and Baker-Prewitt (2000) examined that there is an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty. Fornell (1992) found that high customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition.

In this study, in the light of the researcher's own experience, whilst the concept of service quality is generally appreciated in Libyan society, concepts of satisfaction are not fully recognised. As the marketing and product emancipation strategies in banking are underdeveloped in Libya, customers are neither aware of, nor able to switch banks, in pursuit of better service quality. This is because a significant majority of customers' salaries are directly transferred to banks designated by the government; hence, customers

are not in a position to have an exit option. Therefore, the concept of loyalty is almost unavailable and meaningless to a large majority of Libyans. As a result, one may therefore argue that, in the Libyan context, it is best to confine oneself only to perceptions of service quality. On the other hand, in view of recent political events which have led to the overthrow of the old regime in Libya, it may be fair to argue that, in the near future, it is necessary to further explore the possibility of inter-relationships between service quality and satisfaction in the context of the Libyan banking sector.

3.6 Customer satisfaction and customer loyalty

Customer satisfaction has been gaining increasing attention from the researchers and practitioners as a recognized field of scholarly study and is a fundamental tool used by financial institutions for enhancing customer loyalty and ultimately organizational performance and profitability. Many authors agree that customer satisfaction has a strong positive impact on customer loyalty (for example, Khan, 2012 and Seiler, Rudolf, and Krume, 2013). Understanding customer loyalty requires understanding customer satisfaction first (Fraering, and Minor, 2013).

According to Sivadas and Baker-Prewitt (2000) and Krume, (2013) satisfaction also influences the likelihood of recommending a bank as well as repurchase. It fosters loyalty to the extent that it is a prerequisite for maintaining a favorable relative attitude and for recommending and repurchasing from the bank time (Evans and Lindsay, 1996). Once customers recommend a financial institution it fosters both loyalty and repurchase towards that financial institution (Cronin and Taylor, 1992). Also, customers are likely to recommend a provider of service when they have a favorable relative attitude towards that service provider and when they are satisfied with the services. Evans and Lindsay (1996) stated that companies with satisfied customers have a good opportunity to convert them into loyal customers who purchases from those firms over an extended time period. However, Bowen and Chen (2001) said that having satisfied customers is not enough, there has to be extremely satisfied customers. This is because customer satisfaction must lead to customer loyalty (Kotler, 2000). Building customer loyalty is not a choice any longer with businesses. It is in fact the only way of building sustainable competitive advantage. Building loyalty with key customers has become a vital marketing objective shared by key players in all industries catering to business customers (Lewis, 1991; Newman, 2001; Caruana, 2002). Sivadas and Baker-Prewitt (2000) examined that there is

an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty. Fornell (1992) found that high customer satisfaction will result in increased loyalty for the organization and that customers will be less prone to overtures from competition. This view was also suggested by Anton (1996) who stated that satisfaction is positively associated with repurchase intentions, likelihood of recommending a service or product and loyalty. Loyal customers would purchase from the organization over an extended time (Evans and Lindsay, 1996 and Anderson and Jacobsen, 2000). Guiltinan, Paul and Madden (1997) also examined that satisfied customers are more likely to be repeat (and even become loyal) customers and don't think to switch to other service providers. Similarly, Bontis, Nick, Booker, Lorne and Serenko (2007) examined the causal construct between customer satisfaction and customer loyalty in the North American banking industry and found that there is positive association between customer satisfaction and customer loyalty. Rust and Zahorik (1993) stated that greater customer satisfaction leads to greater intent to repurchase.

According to Anderson and Sullivan (1993), a high level of customer satisfaction will reduce the perceived need to switch service provider, thereby increasing customer repurchase and ultimately enhancing profitability of the organization (Bowen and Chen, 2001). In the services sector literature, strong emphasis is placed on the significant importance of service quality perceptions and the association between service quality and customer satisfaction (Cronin and Taylor, 1992; Taylor and Baker, 1994). Therefore, many organizational researchers concluded that service quality is an important indicator of customer satisfaction. That is, consumers may be loyal to a bank if it is viewed as generating satisfaction among other consumers, particularly in credence services and products (Anthanassopoulos, Gounaris, & Sathakopoulos, 2001; Selnes, 1993; Bloemer, & Ruyter, 1998). This alone may create an amount of unwillingness to switch. Furthermore, Chakravarty, Feinberg and Rhee (2004), explained that a high proportion of customers in the high propensity to switch group appear to have had problems with their bank in the past. In the real world, unsatisfied customers tend to convey their negative impression to other customers. Consequently, customer dissatisfaction leads to low loyalty (Lewis, 1991; Newman, 2001; Caruana, 2002). This implies that customer satisfaction and customer loyalty are highly related, and that dissatisfaction fosters a customer's intention to switch (Kotler, 2000). No doubt customer satisfaction should be the primary objective of an organization to enhance customer loyalty but a business that

focuses exclusively on customer satisfaction runs the risk of becoming an undifferentiated brand whose customers believe only that it meets the minimum performance criteria for the category.

Sivadas and Baker-Prewitt (2000) also stated that it is not merely enough to satisfy a customer. According to Reichheld (1996), 60 to 80 percent of customers who defect to competitors' brands said that they were either satisfied or very satisfied with the product or service they left. As far as organizations are concerned, they want their customers to be loyal to them and customer satisfaction does not fully guarantee this (Clarke, 2001). Customer satisfaction is in fact not necessarily a guarantee of loyalty (Anderson and Jacobsen, 2000). In certain industries up to 70% of customers who switch providers say that they were satisfied or even highly satisfied with their previous service provider (Baker, 1994). Customers may change service providers because of price, or because the rival is offering new opportunities, or simply because they want some variation (Levesque and McDougall, 1996). Today, financial institutions are seeking information on how to build customer loyalty. The increased profit comes from reduced marketing costs, increased sales and reduced operational costs.

Finally, loyal customers often cost less to the organization because they know the services and products and require less information (Levesque and McDougall, 1996 and Clarke, 2001). They even serve as part-time employees up to some extent. Therefore loyal customers not only need less information themselves about service and product offerings but also serve as an information source for prospective customers of the organization. In order to ensure customer loyalty and restrict switching behavior, financial institutions of 21st century must be able to anticipate the needs of their customers because a customer's interest in maintaining a loyal relationship is depended on the firm's ability to anticipate customer's future needs and demands and offering them before anyone else (Kandampully and Duffy, 1999).

3.7 The relationship between customer satisfaction and customer loyalty

Whereas some researchers established a link between satisfaction and loyalty, others did not. For instance, Fornell (1992) and Levesque and McDougall (1996) were of the view that high customer satisfaction will result in increased loyalty for the organization and that customers will be less prone to overtures from competition. Oliva et

al. (1992) state that in the relationship between customer loyalty and customer satisfaction that customer loyalty will increase significantly when satisfaction accomplishes a certain level and at the same time customer loyalty will drop dramatically if the satisfaction level drops to a certain point. Highly satisfied customers tend to be more loyal customer than the customers who were merely satisfied (Tepeci, 1999). Additionally, a number of studies have confirmed a significant positive relationship between customer satisfaction and loyalty/retention (Chi, 2005). If consumers are satisfied with the product or service, they are more likely to carry on purchasing, and are more willing to spread positive WOM.

Similarly, in Coyne (1989), it was concluded that the relationship between loyalty and customer satisfaction is weak when customer satisfaction is low, moderate when customer satisfaction is intermediate and strong when customer satisfaction is high. Thus, since different factors seem to affect the propensity to be loyal under the conditions of low and high satisfaction, it may be assumed that the form of the relationship between customer satisfaction and loyalty is different at different levels of satisfaction (Söderlund, 1998). Also, Jones and Sasser (1995) found that an increase in customer satisfaction produces a stronger effect on loyalty among customers who are at the high end of the satisfaction scale. But the difficulty has always been how to define the scale of satisfaction. However, Christensen (2006) posits that customer satisfaction is very different from customer loyalty. One is a requirement to do business; the other is the basis for sustained profitability and growth. This research found that from a survey of several organizations who had invested considerable time and resources to survey the satisfaction levels of their customers, the results were positive aggregate scores.

But while everyone that was a part of the process was pleased with the ratings indicating high levels of customer satisfaction, they were disappointed that customer turnover rates continued to be very high despite these recent findings (Khan, 2012).

On the other hand, loyal customers are a different breed. Loyal customers will stay with a good or service provider through thick and thin. Hence, loyal customers should not be confused with satisfied customers. Much research over the years has indicated that there is no connection between customer loyalty and customer satisfaction. Just because a customer indicates a high level of satisfaction does not mean that they are or will be loyal to you. Customer loyalty entails an emotional connection. “You have embedded yourself in the heart and mind of that customer” (Christensen 2006).

Customer satisfaction is just a customer's sense of satisfaction. Speaking simply, customer satisfaction is a measure of expectations being exceeded, met, or not met. That's it. When thinking of customer satisfaction measurement, we want to know that we are meeting or exceeding customer expectations. We want to believe that we have satisfied customers and that this will lead to their loyalty and improve revenues. Unfortunately, customer satisfaction has little to do with customer loyalty. Christensen (2006) suggested eight ways to differentiate between satisfied customers and loyal customers. They are equally relevant to external customers as well as internal employee customers. They are:

- a. **Payment.** Satisfied customer pay at their discretion. Loyal customers pay on time.
- b. **Turnover.** Generally, you will experience turnover rates of 15% or higher of satisfied customers. The turnover rate of loyal customers will be less than 5% and will be for reasons out of your control
- c. **Referrals.** Satisfied customers become referrals of your competitors. Loyal customers willingly provide referrals to you.
- d. **Contract.** You will need a contract to keep many satisfied customers in place. You have a virtual lifetime contract with your loyal customers.
- e. **Perception.** Satisfied customers perceive you as a commodity provider. Loyal customers perceive you as a partner.
- f. **Competitive data.** Your satisfied customers are seeking competitive data. Your loyal customers are sharing competitive data.
- g. **Difficult times.** Satisfied customers will leave you. Loyal customers will stay by your side.
- h. **Pricing.** You negotiate prices with satisfied customers. You negotiate costs with loyal customers.

Additionally, the difference in the satisfaction-loyalty link between dissatisfied customers and satisfied customers is not discussed explicitly (Söderlund, 1998). So Dimitriades (2006) argued that the discriminant validity of satisfaction and loyalty needs to be further investigated – highlighting potential effects of culture, method and measure variance. Also, while loyalty is a concept that all managers want, it has been found that it is not straightforward to translate customers' loyalty attitudes into customers' loyalty

behaviours. Additionally, the relationship, between satisfaction and loyalty is neither simple nor linear and satisfied customers may defect (Jones and Sasser, 1995).

As a result, there are no simple solutions for turning loyalty into profits. If it were easy, however, everyone would already be doing it (Keiningham et al., 2007). Despite the lack of consensus, however, they agreed there are exist some relationship between customer satisfaction and customer loyalty.

To sum up, quite a few researchers suggested a strong relationship between customer satisfaction and customer loyalty (Szymanski and Henard, 2001; Chi, 2005). And customer loyalty leads to an increase of both sales and profitability.

3.8 Customers' expectations and perceptions of service quality

Many researchers have demonstrated that service quality improvement is being driven by customer expectations and perceptions. In recent years, researchers have even attempted to measure service quality in order to provide key information to organizations which would assist them to better understand consumers' expectations and perceptions regarding service quality. Caruana, (2002) noted that it is imperative for organizations to evaluate customer needs; similar views have also been echoed by Parasuraman et al. (1985).

Moreover, it has been emphasized that the attraction of customers to quality relies on understanding service providers and researchers in consumers' expectations and perceptions of service quality (Pariseau & McDaniel, 1997; Sureshchandar et al., 2002; Abdul Razak & Chong, 2007). In this regard, service quality is increasingly used to predict company profitability and to improve market share and performance.

3.8.1 Customer Perceptions of service quality

There are a number of descriptions that denote the significance of the customer's perceptions of quality, and which stress that consumer' attitudes or judgements result from comparisons of consumer expectations of service with perceptions of actual service performance (Berry et al., 1988). Other investigators, however, have revealed that service quality is affected only by perceptions (Carman, 1990; Cronin & Taylor, 1992; and Kang & James, 2004). Fonseca (2009: 353) argued that customers' perceptions of service quality during a service delivery will be influenced mainly by three factors: technical quality (what the supplier delivers), result of knowhow available to the organisation, with

objective evaluations, functional quality (how the supplier delivers), the way the service is provided (staff appear to be the key element in the service encounter, more precisely their capacity to answer or resolve the problem encountered by the customer on the premises) and the image (of the organisation which delivers the service, and the supplier's corporate image).

Perceptions are defined also as consumer's views about the service received (Parasuraman et al., 1985) or experienced (Brown & Swartz, 1989). Further research studies have demonstrated that a perception of high service quality results in a high level of purchase interest (Boulding et al., 1993, Taylor and Baker 1994; and Zeithaml et al., 1990).

In this context four primary factors have been identified as influencing customer perceptions of service:

1. Service encounters, or "moments of truth";
2. The evidence of service;
3. Image
4. Price

Price is one of the key factors in the formation of customer's perceptions, suggesting that a higher price will result in a better quality and inspire customers to carry on business with those organisations.

Service encounters or "moments of truth" (tangible cues such as the equipment and physical setting are important determinants of service quality), evidence of service (often reflected in employees, process and physical evidence) and image is the set of perceptions related to the associations held in the consumer's memory and can be specific (hours of operation and ease of access), or of an intangible nature (trustworthiness, tradition, reliability) (Zeithaml and Bitner, 1996; Ugboma et al., 2004).

The relationship between perception and attitude can be found in terms of their definitions; perception is how you observe the world or how you see it, and attitude is how you take action accordingly (Ladhari, 2008). Similarly, the difference between these two psychological issues is that each stimulus forms a perception, whereas attitude is the result of learning about a product/brand which, in turn, is formed through the effect of

perception(s). Customers may have various requirements for cognition. In this way, a consumer learns from several stimuli resulting in multiple perceptions. Hence, perception is a method or way of thinking or point of view. It is called a paradigm. However, attitude is what we do or how we respond. In other words, what we accomplish through our thinking forms our attitude, and our action is dependent on our attitude (Caruana, 2002).

In short, consumers first perceive, learn from perception/s, on account of a single or multiple stimuli depending on their need for cognition, and then form attitudes, which dictate their purchase decisions.

3.8.2 Customer expectations of service quality

The importance of measuring customers' expectations in the evaluation of service quality has been documented in the service literature (Brown and Swartz, 1989; Sweeney et al., 1992, Akbaba., 2006). Expectations of customers always play a major role in the consumer decision-making process (Van Raaij, 1991; Spring et al., 1993; Parasuraman & Grewal, 2000) which influences consumer decisions which are linked to a brand or type of product or service. After a purchase has been made, the same expectations will form the basis of evaluation of the service quality (Parasuraman et al., 1988 and Brown & Swartz, 1989) and customer satisfaction (Oliver, 1980; Kurtz and Clow, 1998).

Perceived service quality has, therefore, been defined as the consumer's judgement about the superiority or excellence of the service (Parasuraman et al., 1985; 1988; and Zeithaml, 1988). Many studies have demonstrated that perceived service quality can be examined by means of comparisons between consumer expectations and their perceptions of service delivered by the suppliers (Takeuchi & Quelch, 1983; Parasuraman et al., 1988; Zeithaml, 1988; Zeithaml et al., 1990; and Lewis et al., 1994).

According to Parasuraman et al., (1988) expectations of service quality can be defined as consumers' desires or wants i.e., by focusing on what the customer believes a service provider should offer, rather than would offer. Carman, (1990) has also suggested that service quality expectations often involve "customer norms" and that these "norms" are based on their past experience. Expectations are defined by Teas (1993) as a set of pre-purchase beliefs held by users about a product or service performance. Similarly,

Zeithaml et al., (1993) described service expectations as beliefs about service delivery which functions as standards or reference points against which a performance is judged.

According to Oliver (1980), consumers determine that quality is low if the performance is not up to their expectations whilst quality increases when performance exceeds expectations. Thus, customer's expectations provide the foundation upon which service quality is evaluated by customers. By contrast Zeithaml & Bitner (1996) stated that a range of service expectations is considered by customers, where the leading factors which affect the desired service consist of:

1. **Word-of-Mouth:** Commonly dubbed WOM, this term is used to describe the verbal communication between groups such as the service provider, independent experts, family and friends and actual and potential customers. Zeithaml, et al (1990) observed that a customer's expectation of high quality service is usually driven by the recommendations of his/her friends and associates who have previously benefitted from that same service. However, if the customer's expectations are not met, he/she is more likely to complain about the level of services provided thus generating negative WOM (Ghobadian, et al, 1994; Ennew et al 2000). Negative WOM has the potential to spread faster than positive WOM because evidence has shown that customers with a bad experience inform more people about it than those who have enjoyed a good experience (Zahari, et al, 2008).
2. **Personal Needs:** Personal needs of customers have a way of impacting on the expectation of service quality. As this expectation can be subjective (Bouranta, et al, 2009), customers may have to moderate their expectations. Unfortunately, Singh and Khanduja (2010) observed that this is rarely the case, as customers tend to build "mental" expectations, individual characteristics and circumstances to determine expected service.
3. **Past Experience:** Quality is often thought to be a type of subjective attitude formed through past behaviour and experiences (Zeithaml, 1988). Furthermore, as highlighted by Gronroos (2000), previous experience with a service provider influences the expectations of a customer. Customers who have experienced a service level will expect to receive the same service or an improved service

(Forsythe, 2008) especially with regard to elements such as friendliness and politeness.

4. External Communications: This represents a wide variety of direct and indirect messages conveyed by service firms to customers (Zeithaml, et al 1990). According to Gronroos (2000), it involves traditional marketing activities such as advertising, field selling, pricing, etc, which can be used in order to make promises to target customers. Such promises influence the expectations of the customers, and have an impact on the expected service. He added that traditions ("we have always done so") and ideology (religion, political involvement, etc.) may also have an effect on a given customer's expectations.

3.9 Bankers' perceptions of customers' expectations

Providing high level service quality has become a critical factor in business success. Owing to the perceptions of customers with regard to service quality, it has been established that the link between staff and customers is very important (Wangenheim *et al.*, 2007).

As mentioned earlier, many researchers take service quality to mean the gap between the expectations of customers and service quality perceptions, such as Lewis (1991), Athanassopoulos (1997), Kangis & Voukelatos (1997), Sharma & Mehta (2005) and Petridou *et al.* (2007). Importantly, there are a few research studies which have also focused on the measurement of service quality from customers' and employees' points of view and which examine the link between customers' and employees' perceptions (Seiders, 2009; Young *et al.*, 2009). Athanassopoulos (1997) emphasised the belief that the gap between customers' perceptions and expectations surrounding the quality of service may not be inadequate when striving to capture the extent of potential in the context of service experience. In this regard, literature which is centred on service quality and customer satisfaction places emphasis on customer's standpoints and has largely neglected the views of employees concerning service provision (Mindak & Folger, 1990; Athanassopoulos, 1997). In addition, a number of studies have been conducted in order to examine and evaluate the understanding of service providers in terms of customer satisfaction (Athanassopoulos, 1997). Some researchers have indicated the necessity of including all individuals concerned with the service process, and not relying exclusively

on customers' views, comparing their expectations and perceptions of the service quality provided (Bitner *et al.*, 1990; Edvardsson *et al.*, 1994 and Athanassopoulos, 1997).

Service quality researchers, such as Schneider *et al.* (1980), for example, have noted the importance of examining the attitudes of both customers and employees when managing service quality. Previous studies on the other hand, have concluded that employees are good data sources in the area of customer attitudes (Schneider *et al.*, 1980; Schneider & Bowen, 1985; Bitner *et al.*, 1994). Thus, it is recognised that a strong desire element is a prerequisite for good service when selecting people to work in service occupations (Schneider *et al.*, 1980) in order that they are able to assess and adjust their customers' expectations and needs of service quality, followed by their satisfaction in real time (Seiders, 2009).

Schneider *et al.* (1980) pointed out that data should be collected from both employees and customers when evaluating service firms. Schneider & Bowen, (1985) and Bitner *et al.*, (1994), on the other hand, have emphasised that staff are good sources of data with regard to the attitudes of consumers. Employees, on the other hand, play a key role and influence the provision and delivery of services to customers (Zeithaml *et al.*, 1990; Congram & Friedman, 1991; Johnson, 1996). Organisations therefore, depend on their employees to collect information as regards the expectations, attitudes and views of customers in terms of the level of service quality provided (Berry & Parasuraman, 1997; Young *et al.*, 2009). Furthermore, Schneider & Bowen, (1984) argued that organisations should utilise information gathered from employees when making strategic decisions.

Researchers, such as Parasuraman *et al.*, (1991b), Young *et al.*, (1996) and Redfern & Norman (1999) have stressed that staff may have varying expectations and views concerning service quality., Employees who have been with their company for a longer period of time may become more proficient in terms of gathering and interpreting essential data thus acquire the capacity to facilitate the examination and comprehension of their customers' expectations (Young *et al.*, 2008), regarding who will be wholly satisfied with the quality of service provided if employees meet consumer expectations accurately (Tse, Nicosia & Wilton, 1990).

Zeithaml *et al.* (1990) indicated that companies which deliver high service quality to their customers have expectations of service from their staff that are recognised as

being consistent with the expectations of customers. Such organisations accordingly design and improve service delivery systems which are in line with customer expectations. Moreover, companies which have high levels of service quality may believe that their employees have the capacity to meet customers' expectations, whilst low service quality would indicate the opposite (Subramony *et al.*, 2004).

Silvestro & Johnston (1989) emphasised that quality issues have to include all parties, without sole dependence on the views of customers. This opinion has been further reinforced by the work of Edvardsson *et al.* (1994), who suggested that owners and employees should be considered in all frameworks, as well as customers, as this will draw upon processes and methods. Furthermore, Schneider & Bowen (1995) supported the important role of service providers, where the aims of companies and the needs of consumers occur simultaneously.

The performance of service quality ultimately rests on staff and their motivation and capacity to perform, which is a view highlighted by Zeithaml *et al.* (1990). However, staff should also be able to create and sustain relationships with consumers, as this will impact upon the provision of quality services, subsequently having an impact on behaviour and, thus, performance (Zeithaml *et al.*, 1990). Organisations depend on their employees to collect information with respect to the views and perceptions of their consumers in terms of the levels of service quality provided (Berry & Parasuraman, 1997; Young *et al.*, 2009).

Effective and efficient service delivery is initiated only when management has the capacity to examine customers' expectations accurately. In a study of financial service, Parasuraman *et al.*, (1985:44) established comparable differences between the perceptions of guests and management, and the actual expectations of consumers, subsequently resulting in the following conclusions: *'In essence, service firms' executives may not understand what features connote high quality to consumers in advance, what features a service must have in order to meet customer needs, and what levels of performance on those features are needed to deliver high-quality service.'*

Lewis & Klein (1987) considered the aforementioned gap in their research, taking a sample of 23 upper-management employees and 116 guests from the hotel sector. Following the completion of their study, the scholars established that the perceptions of

management and the expectations of guests were correct in 17 out of 44 hotel factors. Furthermore, the organisational barriers observed with regard to delivering high-quality service performance was examined by Parasuraman *et al.* (1991) by means of measuring consumer perceptions and expectations across five different service-providing organisations. The findings of the study showed that the gap between management perceptions of customer expectations was consistently small, meaning that managers had a generally accurate understanding of customer expectation levels. Such results support many researchers who examined this gap, suggesting that there is a good level of knowledge and understanding amongst management concerning consumer expectations (Nightingale, 1986; Lewis, 1987; Saleh & Ryan, 1991 Nel and Pitt 1993; Zeithaml and Bitner, (1996); Tsang and Qu, 2000 and Luk and Layton, 2002; Douglas and Connor, 2003). The reason for this small difference may be owing to relatively little direct interaction between employees and managers. Managers are able to improve their knowledge of customers' expectations of the provided service through interacting with those responsible for providing the service. Furthermore, such findings also support the work of Choy *et al.* (1986) and Wei *et al.* (1989), whose studies have established that managers operating within the hotel industry in China have inadequate levels of knowledge of tourists.

Employees may also misunderstand customers' expectations (Mohr & Bitner, 1991). Hubbert *et al.* (1995), for example, have determined notable dissimilarities in this gap, and that such discrepancies can jeopardise the interactions between these two groups. On the other hand, Klose & Finkle (1995) examined the perceptions of staff and customer expectations of an electric utility in the Western USA, showing that the electric utility staff had good levels of knowledge concerning customer expectations.

It is believed by some scholars that there are various discrepancies in the customer expectations and management and staff perceptions, which need to be considered when examining and analysing service quality. For example, Derrick *et al.* (1989) considered the perceptions of quality with regard to three different staff levels, namely front-line workers, middle management, and senior management, in the context of various different sectors. The research findings suggest that, despite there being some degree of compatibility in the perceptions of quality at each of the staff levels, there was nevertheless a lack of consensus surrounding the definition of quality.

3.10 Conceptual Models of Service Quality

In the service marketing literature, several models have been developed with the prime aim of identifying the determinants of service quality, thus enabling management to understand and measure customers' evaluation of service quality. The initial and pioneer approaches primarily devised by Grönroos (1982, 1984) and Parasuraman *et al.* (1985) suggested that the so-called disconfirmation paradigm (Oliver, 1980) is based on the definition of service quality as a result of comparing perceived and expected service performance.

In the light of this paradigm, many researchers have principally adopted the two main models: the Nordic (European) model based on Grönroos (1982, 1984), and the American model developed by Parasuraman *et al.* (1985, 1988). Although the American model is more popular amongst researchers, there still remains no genuine support for the view that one model is better able to portray and predict perceived service quality (Brady & Cronin, 2001).

3.10.1 Nordic School Model

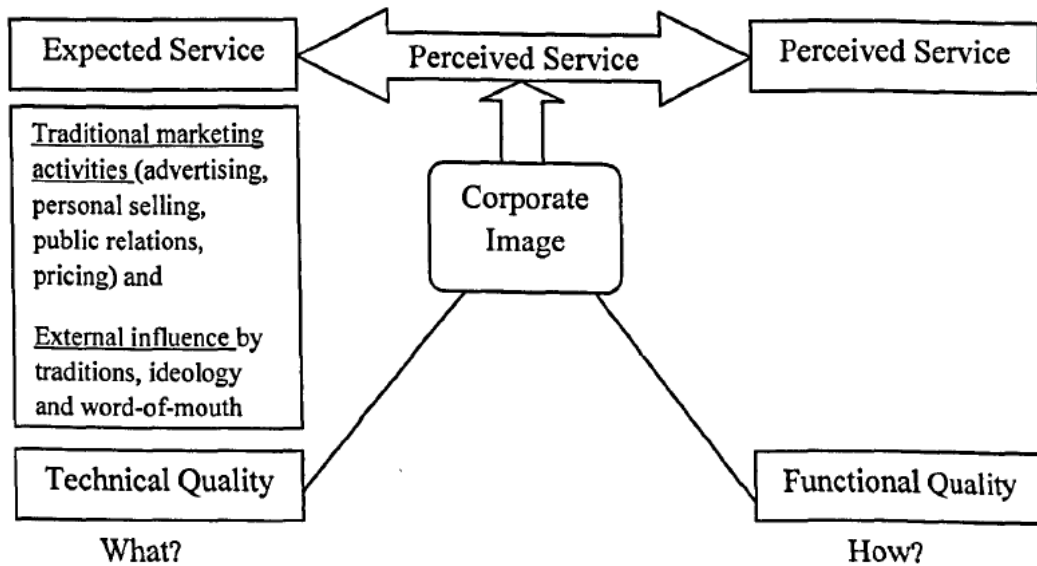
The pioneering work of Gronroos (1982, 1983, and 1984) is generally regarded as the milestone of the Nordic School, and is recognised as having the primary aim of defining the way in which service quality can be perceived by consumers, as well as how the extent of satisfaction can be measured through the use of service quality.

3.10.1.1 The Grönroos Model

Gronroos, (1983) argued that it is the perceived quality of a given service that determines the outcome of an evaluation process, where the consumer compares his expectations with his perceptions of actual service received. In short, the quality of service is therefore determined by two factors: expected service and perceived service. According to this service quality model, the initial aim is to determine the resources that can influence these variables and to accordingly identify which are controllable by the firm. A further refinement of this theory appears in Gronroos (1983; 1983a; 1984) in which he made a thorough examination of the work of Swans & Combs (1976), where the perceived performance of a product was divided into two sub-processes: instrumental performance and expressive performance. Whilst the technical dimension of the product or production process is referred to through the instrumental performance of a product, the expressive

performance, on the other hand, is linked to the 'psychological' level of a performance, such as buyer-seller interactions.

Figure 3-3: Technical and functional quality model



Source: Grönroos (1984).

Swans & Combs (1976) argued that, whilst the instrumental performance of the product is a necessary condition for maintaining consumer satisfaction, in itself, this is not considered sufficient. In the context of service provision, if the expressive performance has failed to be considered, the consumer will continue to feel unsatisfied, regardless of the high levels of satisfaction received through the instrumental performance. This concept is highly appropriate in the banking service as a bank may satisfy the needs of the customer through the provision of the instrumental performance but may then fail to satisfy the customer with the performance of the manager or the teller, as a result the customer will probably feel unhappy with the service received from the bank. Gronroos (1984) claimed that there are two quality dimensions, which are quite different in nature: technical quality and functional quality.

Grönroos (1984) proposed that perceptions of service quality are formed by customers when they compare the perceived service with their expectations. This approach suggests that the conceptualization of service quality is based on investigating how technical

quality and functional quality can influence the expected and perceived service quality, and that the organization's image affects the customers' expectations and consequently reflects customers' perceptions about the organization. This process is depicted in figure 3.3, and indicates the three dimensions of the interactions between customers and a service providing organization: customers' expected service, quality service offered by organisation, and perceived service. These dimensions may be elaborated as follows:

1. The technical quality of the outcome lies in the content that the customer receives during the buyer-seller interaction process. The features of this technical quality dimension include the employees' technical abilities, the institution's know-how, and the utilization of computerized systems and machines (Moore & Schlegelmilch, 1990 and Lee-Ross, 2008). In the case of financial services, for example, this outcome might be represented as, say, availability of a loan at an agreed time.
2. The functional quality of the service encounter refers to the method of transferring the technical quality to the customer and the process by which the customer receives a service. It is based on the interaction between the service provider and the receiver and therefore is often perceived in a subjective manner. According to Gronroos (1983b), this interaction is divided into different aspects which are appearance, accessibility, internal relationships in the firm, long-run customer contacts, behaviour, attitudes, and the service-mindedness of service personnel. The element of functional quality is critical in the customer's evaluative process as it relates to the considerations and level of keenness shown to the customers through providing adequate explanations to the customers about what needs to be done. Functional quality is seen as being predominant in the customer's evaluative process (Lee-Ross, 2008).
3. The corporate image dimension is essential in service firms because the image affects the customers' perceptions about the company. Building up the company's image depends on several factors such as technical and functional service quality, ideology, tradition, pricing, public relations and word of mouth.
4. The level of perceived service quality is not exclusively determined by the level of the technical and functional quality dimensions, but rather by the gap between the expected and experienced quality (Grönroos, 1990). As shown in Figure 3.4, image is related to all the elements that compose the model, therefore, it is

important for any service firm to pay attention to the image it promotes, including external factors, such as its previous performance.

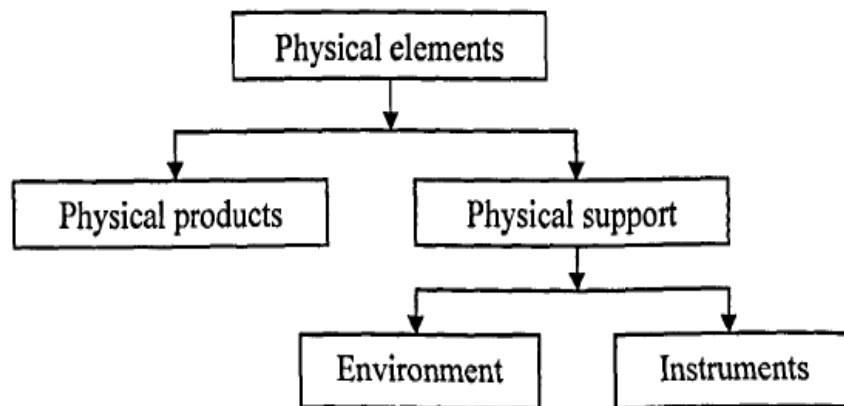
Loizides (2005) mentioned some of Grönroos' conclusions as follows:

1. Customer perceptions of quality are not only related to the productive element of a service, but also to the delivery process itself.
2. The experience of the customer within the process - the extent of involvement - also affects perceptions of the quality of a service.
3. The interactions between buyers and sellers are more important than traditional marketing activities.
4. Corporate image is also more influenced by the interactions between buyers and sellers, word-of-mouth, and communication than traditional marketing activities.
5. A high level of functional quality (i. e. the performance of the contact personnel) will compensate for temporary problems with technical quality and even for an overall lower technical quality level.

The main criticism the Nordic model faces, which perhaps accounts for its relative lack of popularity, in comparison with the American model, is that it fails to provide explanations on how to measure the various aspects of service quality, most notably technical quality. On account of this, researchers have been obliged to develop their own scales whenever they wish to measure technical quality (Kang & James, 2004) and therefore a wide variety of terms have been used in different studies, reducing their comparability. One constant is that technical quality is usually measured using qualitative methods. Brady & Cronin (2001) reported using open-ended surveys asking customers to identify the particular attributes of technical quality; similarly Richard & Allaway (1993) and Powpaka (1996) used in-depth interviews to uncover its parameters.

3.10.1.2 The Lehtinen & Lehtinen Model

As the front-runners of the Nordic School, Lehtinen & Lehtinen (1991) introduced two approaches for understanding service quality: the three-dimensional and the two-dimensional models. The three-dimensional model assumes that service quality has three main dimensions: physical quality, interactive quality, and corporate quality. The physical quality dimension refers to the quality derived from the physical attributes of a service, including the physical product itself, as well as the network of physical supports that provide and enhance the production of the service. The diagrammatic presentation of this dimension is demonstrated in Figure 3.4.

Figure 3-4: Physical Elements in Service Production

Source: Adapted from Lehtinen & Lehtinen (1991, p. 289)

Normally, the physical product can be evaluated objectively as it is generally consumed during the service production process. The physical support shown in the above figure represents the second part of physical quality, which is a framework that facilitates and promotes the production process of the service, and which, in itself, can be divided into two categories: the service firm environment (firm appearance, decoration, etc.) and the apparatus used in service delivery.

The second dimension in this model is referred to as interactive quality, which relates to the interaction between customers and providers, as well as the interactive elements of the service provider. Such interactive elements may be mechanical, such as an ATM, or human, such as employees in a bank. In addition, possible interactions between different customers are also an important feature of the interactive quality dimension.

The third dimension in the model of Lehtinen & Lehtinen is organisation quality, which is assumed to develop incrementally over the evolution of the service organisation, hence, corporate quality is time-dimension based. Lehtinen & Lehtinen argued that this dimension can be used as a method for covering various shortcomings associated with other aspects of quality, owing to the fact that, whilst the first two dimensions mentioned cannot be evaluated until the customer has been in contact with the firm, the corporate dimension nevertheless enables customers to experience the service quality prior to participating in the service production process.

The supposedly alternative yet complementary approach to quality has been offered by Lehtinen & Lehtinen (1991) who suggested a two-dimensional model of service quality comprising process quality and output quality of service production. In this regard, process quality can be interpreted as the result of the subjective views of customers with regard to the production process and their feelings relating to the extent to which they have been fulfilled. Such a perspective can be regarded as abstract in nature, with greater focus on customer opinion. The extent of subjectivity regarding such a dimension is primarily dependent upon the nature of the service and the level of customers' participation in the service delivery process. It is therefore expected that, the greater the involvement the customers have in the production process, the more they will contribute to service quality levels. This is particularly true of customers in the banking sector where human and mechanical interactions conducted by the customers represent an influential part of the outcome. This is especially relevant in the case of the Libyan banking sector where service encounters are conducted manually, and therefore require much greater degrees of customer patience.

As for the second dimension, it represents the customers' evaluation of the service production process, including both tangible and intangible factors. Lehtinen & Lehtinen (1991) used the example of output in tourism service quality as a good case of intangibility, as it is derived from personal feelings and experiences.

The two dimensions are almost parallel with the two dimensions introduced by Gronroos (1984), functional and technical, in that they were found to play particular roles in the evaluation of service quality in banking systems and the financial services industry in general. In the banking sector, customers play a crucial role in the delivery process through dealing with money with which they have a significant degree of emotion.

As regards service quality, the Nordic school has made a major contribution to the field. One of many such contributions is associated with the identification and distinction made between several quality dimensions by means of emphasising the natural features of seller-customer interactions and the quality of such a relationship. Moreover, this school tends to place much greater emphasis on the importance of functional rather than technical quality owing to the fact that it is usually more difficult for customers and service providers to pass judgements on the technical quality of a service. Nevertheless, the school recommends that the integration of both dimensions is highly beneficial for the

overall evaluation of the service quality. The concept of corporate image is another contribution by this school, which has not been included in the gap model. In spite of such contributions, the Nordic model has been an object of criticism, primarily as being highly theoretical and hence lacking general applicability rigour (Ekinici, 2002). To this end, Grönroos' model, for instance, has been developed, based on a Swedish sample, whilst Lehtinen's model was tested and developed in a restaurant context. The generalisation of these findings, therefore, needs to be considered with caution. On the other hand, many researchers believe that the drawbacks of the Nordic model are offset by the greater generality and applicability of the American school.

3.10.2 The American School (Gap Model)

Parasuraman et al. (1985) conducted a study that led to the development of a service quality 'gaps model'. They defined service quality as a function of the gap between customers' expectation of a service and their perceptions of the actual service delivery by the provider (customer gap). The main idea of this work is that the service provider should try to close the gap between what is expected and what is received, in order to satisfy its customers and build-term a long relationship with them. By indentifying gaps, this allows employees to know that is expected of them, and customers to have an idea of the level of service they can expect to receive (Zeithaml and Bitner, 2000).

There are seven major gaps in the service quality concept, which are shown in Figure 3. 5 The. Model is an extention of Parasuraman et al. (1985). According to the following explanation (ASI Quality Systems, 1992; Curry, 1999; Luk and Layton, 2002), the three important gaps, which are more associated with the external customers, are Gap1, Gap5 and Gap6; since they have a direct relationship with customers.

(Gap 1): Consumer Expectation-Management Perception Gap (The difference between customer's expectations and management perceptions of customer expectations). In essence, service firm's executives (marketers) may not always understand which features communicate high quality to consumers, the features required by a service in order to meet consumer needs, and what levels of performance are necessary to deliver high quality service. This lack of understanding has an impact on the perception of quality derived by consumers (Parasuraman et al., 1985).

(Gap2): Management Perception-Service Quality Specification Gap (*The difference between management perceptions of customer's expectations and service quality specifications*). This gap may occur if the management proves to be unwilling or incompetent to meet or exceed customer expectations consumers (Parasuraman et al., 1985).

(Gap 3): Service Quality Specifications-Service Delivery Gap (*the difference between service quality specifications and the service actually delivered*). This is a very common gap in the service industry as it depends mainly on the front line staff or the direct service providers. Lack of team spirit, lack of perceived control, inappropriate supervisory control systems, and poor performance widen the gap between the organizational specifications and the actual service delivery consumers (Parasuraman et al., 1985).

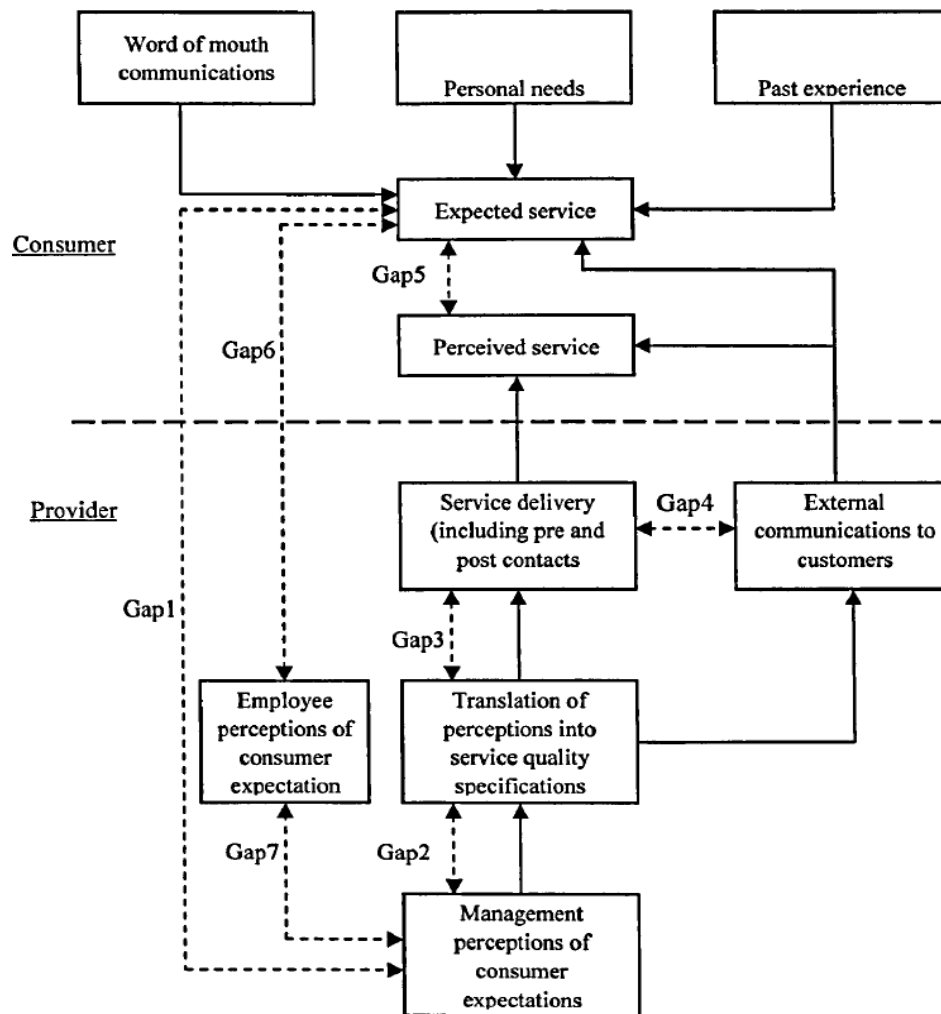
(Gap 4): Delivery-External Communications Gap (*The difference between the delivery of services and the message communicated to customers about the service*). Customers' perceptions are determined by the message about the service as this could lead to variations between the promised levels of service and the actual delivery of services. Inadequate communication of the message that is conducted through personal selling, advertising etc, in addition to over-promise or misrepresentation of service levels, results in the widening of this gap consumers (Parasuraman et al., 1985).

Gap 5: Expected Service-Perceived Service Gap (*The difference between customers' expectations" and "customers' perceptions of the service delivered*). Customer expectations which are affected by the level of personal needs, past experiences and word-of-mouth may widen this gap consumer (Parasuraman et al., 1985). These gaps and their possible inter-relationships are depicted in figure 3.5.

Gap6: The discrepancy between customer expectations and employees' perceptions: as a result of the differences in the understanding of customer expectations by front-line service providers.

Gap7: The discrepancy between employee's perceptions and management perceptions: as a result of the differences in the understanding of customer expectations between managers and service providers.

Figure 3-5 Model of service quality gaps



Source: (Parasuraman et al., 1985; Curry, 1999; Luk and Layton, 2002)

According to Brown and Bond (1995), "the gap model is one of the best received and most heuristically valuable contributions to the services literature". The model identifies seven key discrepancies or gaps relating to managerial perceptions of service quality, and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) are identified as functions of the way in which service is delivered, whereas Gap 5 pertains to the customer and as such is considered to be the true measure of service quality. The Gap on which the SERVQUAL methodology has influence is Gap 5. In the following, the SERVQUAL approach is demonstrated.

To summarise, the American school has made many contributions to service quality literature. The SERVQUAL model presents five gaps, which help the service firm to understand and

manage service quality. These gaps are not only able to sometimes predict customer evaluations; they also have important practical or managerial values in terms of improvements to service quality (Zeithaml et al., 1990; Parasuraman, Zeithaml & Berry, 1994 a, b). The calculation of gaps has the potential to assist managers to identify specific discrepancies amongst the participants in a service. In addition, this model has an advantage over the Nordic model in that it has empirically developed five dimensions of quality in the service context. The degree to which the dimensions can be regarded as suitable for a particular study may depend on the social/ cultural context in which it is conducted.

3.11 Dimensions of service quality

Researchers have put a lot of effort into discovering the key dimensions and attributes used by consumers in the process of evaluating service quality (Ibrahim et al., 2006; Sohn and Tadisina, 2008; Lau et al., 2011). Nowadays, the competitive situation of the economy forces some organizations to find different methods to differentiate themselves from their competitors (Parasuraman et al., 1988; Sureshchandar et al, 2002). Moreover, since service quality appears to play a pivotal role in customer evaluation, many researchers and practitioners have strived to define, measure, and manage service quality perceptions (Collier & Bienstok, 2006). However, due to the intangible nature of services, many efforts have led to differing definitions and measurements of service quality. As a result many researchers have tried to improve the existing literature of service quality through studying dimensions of service quality or improving models of this service.

It is difficult to understand the concept of perceived services quality (Nielsen & Host, 2000). There are multiple dimensions and different experts' opinions about explaining the content or nature of service quality (Grönroos, 1982; Parasuraman et al., 1985). Understanding the service quality dimensions determine the service quality elements that are more significant to customers' formation of their expectations (Brady and Cronin, 2001). According to Kang and James (2004), in service firms, dimensions of service quality can assess performance in determining those dimensions which are most important for identifying, measuring and improving the customer perceived service quality.

In the financial services, the increased level of competition obligates banks to focus on understanding the determinants of quality. Therefore, researchers like Lewis

(1989), Bowen and Hedges (1993) and Asubonteng et al. (1996) have examined the significance of service quality and its contribution in the success process of services organizations, especially new financial firms facing existing competition. It is clear that bank service quality consideration reflects the impact on the market share and profitability of the banking sector (Hallowell, 1996; Caruana & Pitt, 1997; Kang & James, 2004).

Grönroos (1984) explained that functional quality, technical quality, and corporate image are the three dimensions of service quality; however, in 1988 he stated that there are six determinants of service quality which are “Attitudes/Behaviour, Professionalism/Skills, Reliability/Trustworthiness, Accessibility/Flexibility, Recovery/Reputation, and Credibility”.

On the other hand, service quality was studied by Parasuraman, et al. (1985) in terms of four different services: retail banking, securities brokerage, credit card, and product repair and maintenance. They identified ten service quality dimensions which are: "Reliability, Tangibility, Competence, Responsiveness, Credibility, Security, Access, Courtesy, Communication and Understanding the customer". Parasuraman et al. (1988) compressed these dimensions into five dimensions (SERVQUAL scale) which are "Reliability, Responsiveness, Assurance, Empathy, and Tangibility".

LeBlanc & Nguyen (1988) also examined the quality of services within the context of the Canadian financial sector. They allocated five factors for measuring the quality of services in that sector. These factors included the extent of customer satisfaction, the personnel in contact with customers, physical evidence of the organization, the image of the organization and its corporate image as well as the interaction between personnel and customers during service encounters.

Whilst the dimensions offered by Gronroos (1984) appear to dwell on the technicalities of identifying service quality dimensions, the break-down offered by Leblanc and Nguyen (1988) attempts to simplify earlier propositions. These earlier views were further developed by Parasuraman, et al (1988) using a questionnaire (SERVQUAL) of 22 items to derive five dimensions of service quality as follows:

1. Tangibility: including four items - i) modern equipment, ii) appealing physical facilities, iii) neatly dressed employees and iv) visually appealing materials associated with the service.

2. Reliability: including five items – i) keeping a promise by a certain time, ii) showing sincere interest in solving customers' problems, iii) performing the service correctly, iv) providing the service at the time the service is promised and, v) insisting on error free records.
3. Responsiveness: including four items – i) employees advising customers exactly what services will be performed, ii) employees giving prompt service to customers, iii) employees always being willing to help customers and, iv) employees never being too busy to respond to customer's requests.
4. Assurance: including four items – i) behaviour of employees instilling confidence in their customers, ii) customers feeling safe and secure in their transactions, iii) employees being courteous to their customers and, iv) employees having the knowledge to answer customer's questions.
5. Empathy: including five items – i) giving customers individual attention, ii) operating hours convenient to all their customers, iii) employees giving customers personal attention, iv) having the customers' best interests at heart and, v) employees understanding the specific needs of customers.

Perez, et al (2007) explained that these five subscales were measured using Likert-type scales in the questionnaire, which is divided into two parts – with the first half measuring the expected service and the second half measuring the actual service (as perceived by the customer). Other authors (Berry, 1990; Bitner, et al, 1990; Alamgir & Shamsuddoha, 2004; Ganguli & Roy, 2010) have come to accept these dimensions because they represent a summary of other dimensions and tend to reflect the constructs on which service quality is based.

Tangibles define the appearance of the physical facilities and surroundings: the equipment, personnel and particularly, and the means of communication (Parasurman et al. 1988, 1991; Basu, 2004 and Al-Sayyed et al, 2015). The tangibles dimension serves to create a “first hand” impression to customers and may also influence how customers relate to an organisation in future especially as organisations are desirous of ensuring that their customers obtain good first impressions which can increase customer's appetite to patronise the organisation's service/product (Svensson, 2006). Customers will also remember how they were greeted when they arrived at the company's premises and also

remember the surroundings, such as fresh air in light rooms rather than heavy air in darker rooms (Kumar, et al, 2009). Tangibles could also be a reflection of how an organisation pursues its health and safety policies (Ravichandran, 2010) and as customers would rather prefer to do business in an environment where their safety is guaranteed, a health-and-safety conscious organisation is likely to ensure its customers return to do their business.

According to Berry et al (1990), Parasurman et al., (1994) and Al-Sayyed et al, (2015), reliability is the most important dimension to service quality. On the basis of the items included under “Reliability”, it can therefore be defined as the ability of the company to perform and complete the promised service quality, accurately and on time. In other words, reliability refers to the dependability of the service providers and their ability to keep their promises, the same way as the reliability dimension requires performance from service providers. Asuboteng et al, (1996) stated that reliability underscores the capability of the service to remain consistent over its life cycle. When businesses fail to deliver on their promises, they can lose customers and their credibility may be damaged. Reliability is just as important as the first hand impression, because every customer wants to know that their suppliers are reliable and give the service agreed including good quality within the given timeframe without compromising on the quality. An example of this is that of delivery dates being met (Lee-Ross, 2008).

Responsiveness has been defined by Parasurman et al., (1985-1994) as the company’s willingness to help its customers and provide it with a good, fast and quality service. This definition is supported by many authors such as (Jabnoun & Al Tamimi, 2003 & Kumar et al., 2009). Surshchandar et al. (2003), who have described responsiveness as the provision of prompt service. Parasurman et al., (1994) reasoned that responsiveness, like all the other dimensions, is also very important as the customers will feel good if they are valued and if they receive the best quality service possible.

Another dimension of service quality, as explained by Parasuraman, et al (1988) is Assurance. This dimension is primarily focused on the service providers i.e. the employees of an organisation. Basu (2004) agreed that service quality is the outcome of trust and confidence in a service provided. Employees are expected to possess the prerequisite skills and expertise to deal with their customer’s requests (Yoo & Park, 2007). As considered in previous sections, failure to meet customers’ expectations can damage trust and confidence, thereby affecting the retention of customers in an

organisation and also creating a negative image of the organisation which, in turn, affects the ability to sign on new prospects. This is in tandem with Hu's, (2009) conclusion that Assurance concerns keeping and maintaining business relations.

Empathy offers another significant dimension of service quality as Dale, (2003) argued that quality service must have a considerable element of care and attention towards the customer. He also observed that companies who care and give individualised attention to their customers create a situation where the customers feel special and valued. This act is highly likely to improve the chances of such customers returning to the company for more business. Basu, (2004) observed that the empathy dimension represents a convergence of the other dimensions as discussed earlier. Sachdev & Verma, (2004) also added that empathy is particularly important as service offerings usually involve a personal touch or relationships; hence providers are expected to be skilled in identifying and understanding the particular requirements of customers. In other words, service providers are even expected to react emotionally to certain issues facing their customers, if this proves to meet/exceed customer expectation of services provided. In recent times, empathy has become a major tool in customer relationship management (CRM) especially when dealing with aggrieved customers (Shahin, 2006). This is usually reflected when a service provider shows that he/she understands and sympathises with the customers situation and takes the necessary steps to address the situation appropriately, hence improving customer retention.

To summarise, various researchers have explored the constructs of service quality in a range of empirical contexts, and suggested quite different service quality dimensions. As different service dimensions are likely to be found in different industries, researchers have suggested that it is incumbent upon the manager or researcher to develop multiple scale items to capture adequately a particular study context (Oliver, 1981: Bolton & Drew, 1994). The implications of these observations for this study are that SERVQUAL will need to be amended to reflect the particular circumstances of the Libyan public commercial bank sector. Such amendments will need to consider its characteristics as a banking system operating in a Muslim society, in a socially conservative Arab nation, within a transition economy only recently opened to the influences of competition and foreign ownership.

3.12 Service Quality: The Process of Measurement

As one of the most challenging areas for academicians and practitioners, the process of measurement and definition of the service quality has always been the pivotal field of research (Wisniewski, 2001). In the area of marketing literature, several service quality models have been developed, most of which have adopted services definitions relating to meeting customers' demands and matching their expectations as closely as possible. The majority of such models tend to suggest alternative definitions of perceived service quality, and also consider it as a consumer's subjective view or a consumer attitude linked to the service and to the outcome of consumers' comparisons between the initial customer expectations of the service quality and the actual perceptions about the service performance (Grönroos, 1984; Parasuraman *et al.*, 1988; Ugboma *et al.*, 2004).

As has been elaborated by Zeithaml *et al.* (1990), the dimensions of service quality are of vital importance owing to the fact that such dimensions can be considered minimum service standards in terms of attaining service quality. Moreover, they have noted that service customers tend to generally consider the same criteria in their evaluation of service quality for almost all types of service. On the other hand, MacNeill, (1994) reiterated that dimensions of quality should be designed to meet and even exceed customer expectations. Employees are therefore expected to have the ability to understand customers' needs and requirements, and hence attempt to make appropriate provisions of such demands.

Rather than considering the importance of the concept of service quality identification, a handful of academic papers have sought to propose models explaining the overall quality of services (Van der *et al.*, 2002).

3.12.1 The SERVQUAL Model

One of the most significant contributions made in terms of defining and measuring service quality is attributed to the pioneering work of Parasuraman *et al.* (1985, 1988). In their original SERVQUAL model, Parasuraman *et al.* (1985) included two sections, each containing 22 items, with the aim of measuring two attributes: a) customer expectations for several aspects of service quality; and b) perceptions of the service received by customers derived from five different service categories, namely retail banking, credit cards, securities brokerage, long-distance telephone calls, and appliance repair and

maintenance (Parasuraman et al., 1988). As discussed earlier, the scale utilised in their model is based on the gap theory, which indicates that customer perceptions of service quality are the product of differences between their expectations of service providers and their assessment of the actual performance of a specific firm (Cronin & Taylor, 1992), and that the scale originally assumed that customers commonly consider ten dimensions when proceeding with their evaluation of perceived service quality.

As regards the above, SERVQUAL works on the premise that a typical customer tends to assess service quality by comparing the service they have actually experienced (the perceived service quality) with the service they desire or wish to receive (their expected service quality). In other words, service quality is involved in a comparison of customer expectations with customer perceptions of actual service performance. Ever since the introduction of SERVQUAL by Parasuraman et al. (1988), a large number of researchers have applied, extended and developed this scale in their studies as regards service quality in different sectors of the economy (Avkiran, 1994; Buttle, 1996; Al Khatib & Gharaibeh, 1998; Davies et al., 1999; Angur et al., 1999; Polatoglu & Ekin, 2001; Zhu, Wymer & Chen, 2002; Caruana, 2002; Cui et al., 2003; Jabnoun & Al-Tamimi, 2003; Wang et al., 2003; Kilbourne et al., 2004; Yavas et al., 2004; Arasli et al., 2005; Bennett & Barkensjo, 2005). In spite of this popularity in terms of the application of SERVQUAL, several studies have criticised the model, both on theoretical and application grounds. Some criticisms are summarised in the following section.

3.12.1.1 Criticisms of the SERVQUAL Model

According to Parasuraman *et al.* (1988), the five service quality dimensions are generic, each constituting a general framework for all service industries. Conversely, several studies have challenged this view by stating that the dimensions of SERVQUAL are, in fact, contextual, and hence not capable of universal application (Carman, 1990; Buttle, 1996; Ekin, 2002). To this end, opponents have argued that SERVQUAL can be applied to different activities but needs to be adapted to the context within which the service under study is evaluated (Babakus & Boller, 1992).

In assessing the generality of the SERVQUAL dimensions, Carman (1990) made an attempt to apply the model to different services. His study covered four service firms, a dental school patient, a business school placement centre, a tyre store, and a hospital, and

established that the stability of the dimensions proved to be good, but the model, as a whole, failed to be generally applied across a wide range of services. In making SERVQUAL a more generally acceptable model, Carman, (1990) proposed three ways in which any service quality can be evaluated. First, he suggested that eight of the original ten dimensions ought to be retained until the results of factor analysis have shown that they are not necessarily unique; second, he proposes that care should be taken in terms of defining dimensions and their modification found to be relevant to the particular context; and third, he recommends that a revised instrument be tested for reliability and validity prior to its commercial application.

Based on an empirical study of electronics and a gas company using the SERVQUAL instrument, Babakus & Boller (1992) stated that use of five dimensions, as suggested in Parasuraman *et al.* (1988), was found to be problematic. In their study context, service quality was shown to be a one-dimensional rather than five-dimensional construct. On the basis of their findings, they highlighted the fact that, although the domain of service quality can be complex in terms of factors in some industries, it can be very simple in others. Accordingly, in conclusion to their study, Babakus & Boller (1992) argued that the quantity of service quality dimensions would depend on the service being evaluated.

Moreover, two independent studies by Buttle (1996) and Cronin & Taylor (1992) made reference to the problematic issue of functional dimensionality of service in the SERVQUAL model. Such studies primarily criticise the model by arguing that it affords little attention to the technical elements and the outcome of service process. Furthermore, Cronin & Taylor (1992, 1994) and Teas (1993) argued that as far as the disconfirmation paradigm is concerned, the application of SERVQUAL fails to appropriately measure the perceived service quality. In particular, Cronin & Taylor (1994) cast doubt over the operational validity and measurement of SERVQUAL on service quality, arguing that the model fails to distinguish between customers' attitudes and their satisfaction. In other words, Cronin & Taylor (1994) are of the view that SERVQUAL actually fails to measure customer satisfaction and service quality. They further comment that SERVQUAL seems, at best, to be a case of many forms of expectancy-disconfirmation. On the whole, Cronin & Taylor (1992, 1994) indicated that performance-based measures prove to be better predictors of service quality than any gap measurements, and that service quality is a

precursor to satisfaction rather than the other way around, as proclaimed by Bitner (1990). Finally, satisfaction is, and should be, treated as superior to service quality in predicting customer purchase intentions (Cronin & Taylor, 1992).

In another critique of the gap model of Parasuraman *et al.* (1985), Carman (1990) criticised the approach as having little theoretical or empirical evidence in support of the appropriateness of the expectations-performance gap as the basis for measuring service quality. In questioning the validity of expectation data, as recommended in Parasuraman *et al.* (1985), Carman, (1990) argued that such data should be collected from customers prior to their use of the service, although this is rarely practical. Carman, (1990) further challenged the models stating that, even when such a process is taken, expectations and perceptions present very little relationship with each other. He further promoted the idea of the importance of customer expectations, but believed that, in the future, researchers need to produce alternative methods and ways of collecting and analysing data relating to expectations. Martinez and Martinez (2010) found that the findings were culture and/or country specific and this important element should be taken into consideration when comparing SERVQUAL in a global setting. Chand (2010) in a study into Indian tourism suggested that consumers' perceptions of the importance of the different factors were influenced by national and cultural differences.

On the issue of the disconfirmation paradigm, Teas, (1993, 1994) compiled a set of further criticisms of SERVQUAL by stating that it is a theoretical impossibility that performance levels could exceed consumers' ideal standards. Moreover, with regard to the measurement issue, he emphasised three psychometric problems embedded in the use of a difference scale: reliability, discriminate validity, and variance restriction. Further evidence of psychometric issues, as offered by Brown *et al.* (1993), indicates that the use of SERVQUAL leads to various psychometric problems, hence suggesting the use of non-difference score measures.

In a more systematic manner, Buttle, (1996, p. 10) compiled a list of several criticisms relating to theoretical and operational levels of SERVQUAL, as summarised below.

Theoretical:

1. Paradigmatic objections: SERVQUAL being based on a disconfirmation paradigm rather than an attitudinal paradigm, hence failing to consider the existing economic, statistical and psychological theory.
2. Gaps model: Little evidence supporting the case that customers judge service quality in terms of gaps between performance and expectations.
3. Process orientation: SERVQUAL is primarily based on the process of service delivery, hence fails to take full account of the outcomes of service encounters.
4. Dimensionality: SERVQUAL's five dimensions are not universally applicable, as the number of dimensions is shown to be contextual.

Operational:

1. Expectations: The term 'expectation' could be misleading, as consumers use other standards apart from expectations in their evaluation of service quality. In addition, SERVQUAL does not consider absolute expectations derived from service quality.
2. Item composition: Certainly four or five items may not necessarily be able to capture the full effect of all the variables that are present in each and every service quality dimension.
3. Moments of truth: assessments by customers of service quality may vary from one moment of truth to another.
4. Polarity: The reversed polarity of items in the scale causes respondent error.
5. Scale points: The seven-point Likert scale can have major methodological drawbacks.
6. Administration: The model requires instruments to be administered twice and that creates confusion and boredom.
7. Variance: SERVQUAL provides reasons for a disappointing number of the total amount of item variances.

Regarding the question of the validity and utility of SERVQUAL, as discussed earlier, the model is capable of reflecting the perceptions relating to the true service quality across a substantive range of different industries and service sectors. The wider context in which services are delivered has been given less consideration, although it is necessary to bear in mind that no service is provided in a cultural vacuum; in this regard, both customers and providers are influenced by their past experiences and current values. Moreover, data collection and the sensitivity of data have also been matters of concern for some researchers dealing with SERVQUAL. The administration of questionnaire surveys,

for instance, must be conducted in full knowledge of how familiar such tools are to a particular study population, whilst ethical; anonymity issues and data protection considerations must also be taken into account and viewed as extremely important.

3.12.1.2 SERVQUAL Applications

Many models have been created to measure and develop the determinants of service quality. Research into service quality has been conducted in different sectors. For example, dental services (Carman, 1990), hotels (Saleh & Ryan, 1991), travel and tourism (Fick & Ritchie, 1991), car servicing (Bouman & van der Wiele, 1992), business schools (Rigotti & Pitt, 1992), higher education (Ford, Joseph & Joseph, 1993; McElwee & Redman, 1993), hospitality (Johns, 1993), accounting firms (Freeman & Dart, 1993), architectural services (Baker & Lamb, 1993), hospitals (Babakus & Mangold, 1992; Mangold & Babakus, 1991; Reidenbach & Sandifer-Smallwood, 1990; Soliman, 1992; Vandamme & Leunis, 1993; Walbridge & Delene, 1993), airline catering (Babakus, Pedrick & Richardson, 1993a), banking (Kwon & Lee, 1994; Wong & Perry, 1991), apparel retailing (Gagliano & Hathcote, 1994) and local government (Scott & Shieff, 1993). In addition, a number of Arabic and Islamic studies have used the SERVQUAL model to measure service quality in different sectors (e. g. Al Sahan, 1994; Yavas, Bilgin & Shemwell, 1997; Jabnoun & Al-Tamini, 2003; Mostafa, 2005; Ashfaq, Kashif & Muhammad, 2010).

As a result, despite the general acceptance of the applicability of SERVQUAL, it is necessary to test and refine the model further in order to account for the aforementioned problems and to thereby identify the dimensions of such a complicated and abstract concept as service quality. Asubonteng *et al.* (1996) maintained that additional work is still required before a suitable measure of service quality is discovered. There is little doubt that the link between perception and expectation is a complex one, and many researchers have highlighted the difficulty for customers in terms of remembering their expectations after receiving a service, as well as for service quality measurements to accurately capture the differences between perceptions and expectations. This has led to a belief amongst some researchers that the gap between these elements should be excluded, and the sole focus should be on perceptions of performance.

Nonetheless, Parasuraman *et al.* (1991b, p. 445) noted that ‘SERVQUAL is a useful starting point, not the final answer. SERVQUAL is more valuable when it is used periodically to track service quality trends, and when it is used in conjunction with other forms of service quality measurement’.

3.12.2 Performance only model of service quality (SERVPERF)

Cronin and Taylor (1992) studied thoroughly how to conceptualize and measure service quality relating to customers’ satisfaction and their willingness to purchase. They applied SERVQUAL as a measurement or scale when seeking to demonstrate the superiority of their instrument or theoretical perspective and presented an alternative instrument which they tested and called SERVPERF. This instrument measures only the performance. The concept of this instrument is based on the assumption that measurement of service quality should be undertaken as an attitude, and they performed their testing, focusing on four industries; banking, dry cleaning, pest control and fast food.

The design of the original SERVQUAL questionnaire was intended to measure customer’s expectations, or in other words, forecast their pre-service expectations about the service quality, and also to measure customer’s perceptions about what actually took place during the service process. SERVPERF is made up of the 22 perception items that are included in the SERVQUAL measurement. Cronin & Taylor (1992, 1994) concluded that more variance is explained using SERVPERF than when using SERVQUAL when measuring service quality as a whole. They argued that it is not suitable to use the performance-minus expectations (SERVQUAL) for measuring service quality and proposed that the performance-only (SERVPERF) measurement would present a better approach. With regard to conceptualization and measurement of service quality Cronin & Taylor, (1992, 1994) provided one of the strongest criticisms of the SERVQUAL scale. The superiority of the SERVPERF scale over the SERVQUAL scale in the dental care sector was proven by McAlexander *et al.* (1994). This scale is also superior to the SERVQUAL scale in the telecommunications sector as shown by Hahm *et al.*, (1997). However, in a majority of cases, particularly in the financial services industry, the SERVQUAL has been demonstrated to be the superior model (Brendt, 2009; Bougoure and Lee, 2009; Munusamy *et al.*, 2010; Mishar *et al.*, 2010; Ferreria *et al.*, 2011; Mokhtar *et al.*, 2011; Dharmalingan & Kannan, 2011).

Service quality researchers, such as Robinson (1999) and Othman (2003), reported that SERVQUAL should perform better than the SERVPERF because SERVQUAL is a more scientific approach to scale development and is more firmly based on the literature than SERVPERF scale. SERVQUAL has indeed proved to be most popular instrument for measuring SQ because it affords technology techniques for measuring service quality and has been developed to face most critics (Othman, 2003).

Despite Cronin and Taylor's (1994) conceptual arguments in favour of SERVPERF, while it may have contributed to SERVPERF popularity, it has not reduced SERVQUAL's usage among scholars. SERVQUAL is a pioneering tool, adopted by a leading US bank and heavily promoted by management consultants (Newman, 2001) as a basis for monitoring and managing service quality development. Buttle (1996) reported that despite the criticisms that have been levelled against SERVQUAL, it remains an instrument that is used in all areas of business and industry.

In spite of the discussions and several arguments provided by researchers about the superiority of SERVPERF over SERVQUAL (Cronin and Taylor, 1992, 1994), the results of meta-analysis by Carrillat et al. (2007) suggest that both scales are adequate and equally valid predictors of overall service quality. Because of the high statistical power of meta-analysis, these findings could be considered as a major step toward ending the debate whether SERVPERF is superior to SERVQUAL as an indicator of overall service quality.

Academic debate of service quality measures and SERVQUAL validity has been accompanied by proposals for alternative service quality measures, such as SERVPERF by Cronin and Taylor (1992) and BANKSERV by Avkiran (1999), cited in Newman (2001). BANKSERV is a single scale measurement of service quality; customers can reflect their perceptions and expectations in a single statement (Pont and McQuilken, 2002). SERVQUAL, grounded in the Gap model, measures SQ as the calculated difference between customer expectations and performance perceptions of a service encounter (Parasuraman et al., 1988, 1991). Cronin and Taylor (1992) challenged this approach and developed the SERVPERF which directly captures customers' performance perceptions in comparison to their expectations of the service encounter. Another approach used in the banking industry by Ennew et al (1993) and Hemmasi et al (1994 cited in Newman 2001) is the importance-performance measure, which looks at how well a service attribute meets

customer needs. Their thinking, supported by Joseph et al. (1999), is that this is an appropriate way of measuring service quality in banking because it allows the identification of priority problem areas. As a result, Newman (2001) as an adaption to SERVQUAL produced BSQ (Banking Service Quality).

3.12.4 Support for SERVQUAL

There are several studies in support of the use of different elements of SERVQUAL. For example, Babakus & Boller, (1992) devised verification of the metric's face validity, similar to that of Brown *et al.* (1993). Asubonteng et al. (1996) support the claims made for its internal reliability and the extent to which the items of the scale constitute each dimension, and Angur et al. (1999) favourably discusses SERVQUAL's convergent and discriminant validity. Moreover, in their study of major Indian banks based on SERVQUAL's convergent and discriminant validity, Angur *et al.* (1999) established that SERVQUAL tends to offer a larger extent of diagnostic information compared with the SERVPERF scale, and acknowledged that there is no significant difference between the two models in terms of predicting future customer behaviour. In another study, Stafford *et al.*, (1999, p. 15) tested the 'efficacy of four approaches of measuring service quality (SERVPERF, SERVQUAL, the log of ratio, and ratio) in the USA insurance industry'. Their results, as based on the log of ratio and the ratio, are reported to be inferior to both the SERVPERF and SERVQUAL measures, but the SERVQUAL scale is found to be a better fit compared with the SERVPERF.

In support of the use of SERVQUAL, Gi-Du *et al.*, (2002) also referred to the model's ability in terms of measuring internal service quality and consider its dimensions as distinct and conceptually clear.

This support for SERVQUAL's ability to produce valid results raises questions of how it could be improved still further. As mentioned above, much discussion has surrounded the number of dimensions employed and the individual items that make up each dimension.

3.12.5 Justification for the use of SERVQUAL

Upon examination of SQ models, two similar but differentiated approaches have come to light: SERVPERF and SERVQUAL. Sangeeta & Mahalingam (2011) made reference to 14 different quality models applied in the banking and service industry. However, all these models are derivatives and extensions of the two above-mentioned models. The

similarity between these models arises from the fact that they all attempt to measure the extent of customer's satisfaction through different aspects of service quality (Avkiran, 1999: 65). In arriving at a measure of customer's satisfaction, however, each model adopts different approaches. Upon evaluation of these models, analysis is therefore based on three pillars: appropriateness, generalisability, and efficiency.

As has been discussed before, from the appropriateness point of view, SERVQUAL has been shown to be well ahead of the other two models. This is primarily due to the fact that it is based on the concept that the difference between customer's perceptions and expectations of the service is the driving factor for the judgement of the customer in terms of the overall quality of service (Carrillat. et al., 2007). Moreover, because of its comprehensive dimensions, it allows researchers to formulate and estimate the extent of the gaps between managers and customers, managers and service delivery, and service delivery and external communications (Jabnoun & Al-Tamimi, 2002). The SERVQUAL scale appears to provide much greater diagnostic information about service quality gaps than the SERVPERF. In addition the dimensions of this scale which include the 22 items are the most important aspects and reasonably good predictors of service quality (Brown and Swartz1989; Carman 1990; Bolton & Drew 1991; Parasuraman et al., 1991; Babakus & Boller, 1992; Cronin and Taylor 1992). SERVQUAL model as the most often used approach for measuring service quality has been utilised to compare customers' expectations before a service encounter and their perceptions of the actual service delivered (Gronroos, 1982; Lewis & Booms, 1983; Parasuraman et al., 1985). The SERVQUAL instrument has been the predominant method used to measure consumers' perceptions of service quality.

Angur et al. (1999) conducted a study into data collected from two major banks in India, and found that SERVQUAL provided a larger amount of diagnostic information than the SERVPERF scale, whilst there was no significant difference in the ability of the two measures to predict future customer intentions. Stafford et al., (1999, p. 15) tested "the efficacy of four approaches of measuring service quality (SERVPERF, SERVQUAL, the log of ratio, and ratio) in the USA insurance industry". They found the log of ratio and the ratio methods to be inferior to both the SERVPERF and SERVQUAL measures, whilst goodness-of-fit indicators proved the SERVQUAL scale to be the superior model in comparison with SERVPERF.

On the negative side, however, SERVQUAL has been criticised for being a rather time-consuming process, as it requires researchers to structure two sets of questionnaires for measuring expectations and perceptions. In short, although a comprehensive method of analysing both expectation and performance, this model has been regarded as inefficient, due to its time-consuming process of data collection (Cronin and Taylor, 2002).

SERVPERF has been regarded as a good alternative to SERVQUAL, as it offers researchers the opportunity to concentrate only on the aspects of performance (consumer's perceptions) of a quality service, hence reducing the costs of research. In fact, numerous authors have supported the view that SERVPERF is a better alternative to SERVQUAL (Babakus & Boller, 1992; Brady et al., 2002; Brown et al., 1993; Zhou, 2004). This has generally stemmed from the fact that such studies have reported SERVPERF being a good predictor of overall service quality (Cronin & Taylor, 1992). It has further been argued that the consideration of perceptions could well be sufficient for explaining service quality (Babakus & Boller, 1992). This is because, as stated in Avkiran, (1999), perceptions of quality may well be substantially influenced by the expectations generated in the service delivery sector. Cronin and Taylor, (1992) suggest that SERVPERF is a more direct form of measurement technique compared with SERVQUAL. It attempts to overcome the problems associated with the use of disconfirmation models as a basis for measuring service quality. In SERVPERF, the respondent (customer) is required to rate the service provider's performance on a scale ranging from (1) strongly agree to (5) strongly disagree. Unlike SERVQUAL, it does not take into account the different scores between expectations and perceptions, and only relates to the assessment of the post consumption perceptions. The model is "an absolute rating of customer attitudes towards service quality" (Palmer, 2001, p. 228). SERVPERF supports the body of research that challenges the inclusion of the expectations criterion, and instead favours a 'perceptions-statements instrument' whilst measuring service quality (Boulding et al., 1993). According to the model, an accurate expectations measure can only be obtained prior to the service encounter. Moreover, McAlexander et al., (1994) argued that inclusion of an expectations measure reduces the content and discriminant validity of the measures. Given the advantages claimed for SERVPERF it is useful to compare it with the dominant instrument, and to consider some of the claims made for the superiority of SERVQUAL.

Amongst other things, as has been shown in this table, all the three models tend to offer issues relating to “dimensional optimality” and “cultural adoption”. The term ‘dimensional optimality’, refers to the number of dimensions of a given model which would optimise the process of application and the estimated results. Since different cases may require a different number of dimensions it is not possible to arrive at any generalised number of such dimensions. Cultural adoption of a model refers to the flexibility and applicability of a model to be used under different environments/culture.

In spite of its rather poor efficiency score, SERVQUAL offers a more comprehensive way of examining the overall service quality as it allows researchers to measure the gap between expectation and perceptions. Moreover, as the literature review suggests, SERVQUAL has been more widely used in the international area (for example, Jabnoun & Al-Tamimi, 2002; Zhang, et al, 2005; Herk et al 2005; Abdullrahim, 2010). These studies have reported that the generality property of SERVQUAL also enabled them to add extra dimensions allowing for cultural differences.

In short, on the basis of the discussion, this study is seeking to use the SERVQUAL model as the pillar of its quantitative investigation. This is primarily due to the fact that it enables the researcher to clearly examine the gap between the expectations and perceptions of service users. This is particularly valid for the case of Libya where due to the openness of the economy and general liberalisation of banking sector, the customers expectations have increased, hence making SERVQUAL model a more appropriate means of measuring the potential gap between expectations and perceptions.

3.12.6 The Number of Dimensions Debate

One of the main areas of criticism attached to SERVQUAL appears to be with regard to the somewhat arbitrary number of quality dimensions that the model considers under different environments or countries. In terms of dimensionality issues, based on an empirical analysis of several countries, Ford *et al.*, (1993) arrived at the conclusion that SERVQUAL's dimension must be considered in relation to the country under investigation. On the other hand, based on a thorough evaluation of 18 different empirical studies of service quality, Asubonteng *et al.*, (1996) concluded that the dimension of quality is likely to be dependent on the nature of service industry rather than anything else.

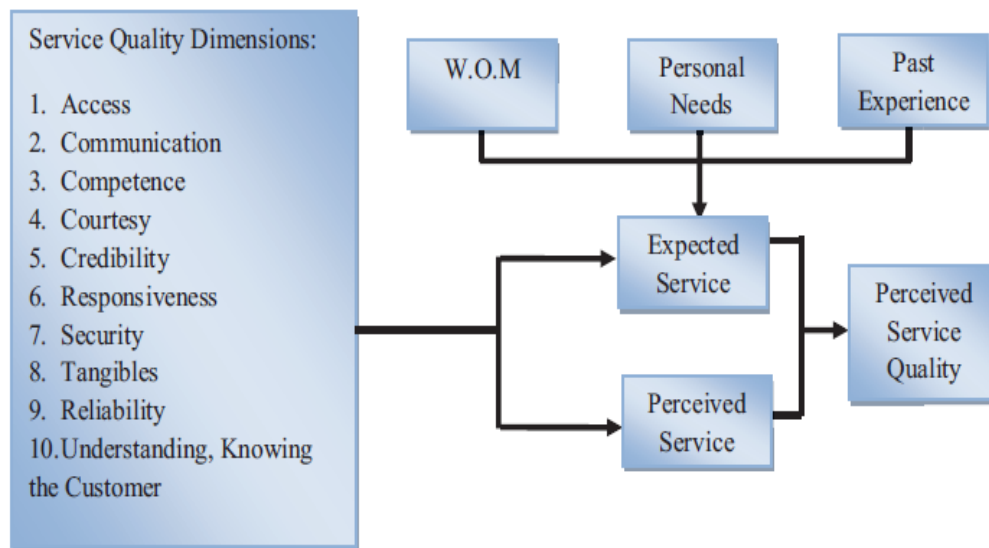
Imrie *et al.*, (2002) argued that interpersonal relations have turned out to be an important dimension in their study of Taiwanese customers, and that this aspect is not sufficiently considered in the SERVQUAL model. At the other extreme, in a study of Indian banks, Sureshchander *et al.*, (2002) reported that emphasis should be placed on the significance of both human and technological factors. Moreover, another two independent studies carried out by Angur *et al.*, (1999) and Wang *et al.*, (2003) stated that the original SERVQUAL dimensions used in their studies are insufficient in terms of describing the service quality features amongst customers in emerging economies.

In defence of the model, Parasuraman *et al.*, (1991, p. 440) explained why there may be differences in service quality dimensions in studies relating to the use of SERVQUAL, arguing that ‘respondents may indeed consider that the SERVQUAL dimensions are conceptually distinct, but if their evaluations of a specific company on individual scale items are similar across dimensions then fewer dimensions will result. On the other hand if their evaluations of a company on scale items within a dimension are sufficiently distinct, more than five dimensions will result’.

On the whole, as has been claimed, the dimensions of SERVQUAL can be flexible and universally applicable, indicating that it should be treated as a tool that can be used to demonstrate the true customer perceptions in almost all environments and activities.

3.12.7 Other service quality models

A number of service quality frameworks have been presented through prior studies, with these models centred on the value of service quality, how this can be enhanced, and the various aspects associated with the concept. Service quality dimensions are service attributes that a customer could have expectations about, as well as the service requirements required to be provided to the consumer at a particular level (Johnston & Clark, 2005). Notably, the Service Quality Dimensions framework has been devised by scholars Parasuraman, Zeithaml & Berry (1985), and highlights ten different aspects of perceived service quality that are believed to be determinants. The academics further stated that, when examining the service quality delivered by organisations, consumers depend on various criteria. The various dimensions can be seen in Figure 3.6.

Figure 3-6 Service Quality Dimensions Model

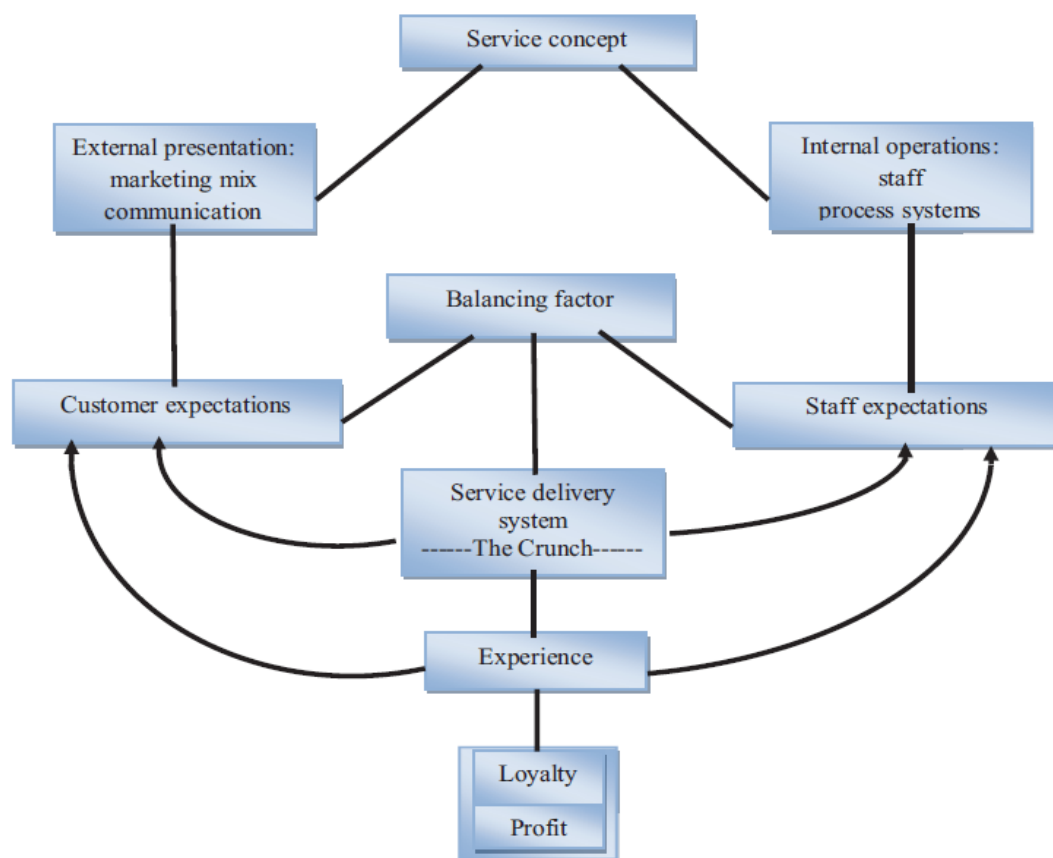
Source: Parasuraman, Zeithaml and Berry (1985, p. 48)

As suggested through the framework, in addition to the three elements impacting or shaping the expectations of consumers, there are ten additional dimensions, namely access, communication, competence, courtesy, credibility, responsiveness, security, tangibles, reliability, and understanding and knowing the customer. Such aspects do not appear to be independent of one another, as highlighted in the book of Zeithaml & Parasuraman (1990), as there is an apparent connection between a numbers of them. Essentially, there is no doubt that one of the most critical aspects impacting on success in terms of service quality is the balance achieved between business employees and their consumers.

With this noted, the Behavioural Service Quality framework was created by Beddowes et al. (1987), which is centred on various behavioural considerations, the study of which has highlighted that there are common errors made by service providers when taking into account expectations; when marketing, there is a lack of attention to the development of systems and employees so as to improve what can be delivered by the firm. Accordingly, the model aims to establish clearly a number of fundamental aspects affecting the success of service quality, namely service delivery system efficiency. According to this model, one of the most important quality success factors is the balance between customer and staff expectations. Beddowes et al, (1987) argue that a common danger faced by many service organizations is inflating customer expectations through marketing efforts without

balancing this with what the organization can offer through appropriate development of staff and systems. According to this model, the other important contributor to service quality is the relevance and effectiveness of the service delivery system. The model identifies the factors that significantly influence service quality. It articulates why quality problems are likely to arise but not what the nature of these problems is and how to overcome them. The model can be seen in Figure 3.7.

Figure 3-7 Behavioural Service Quality Model

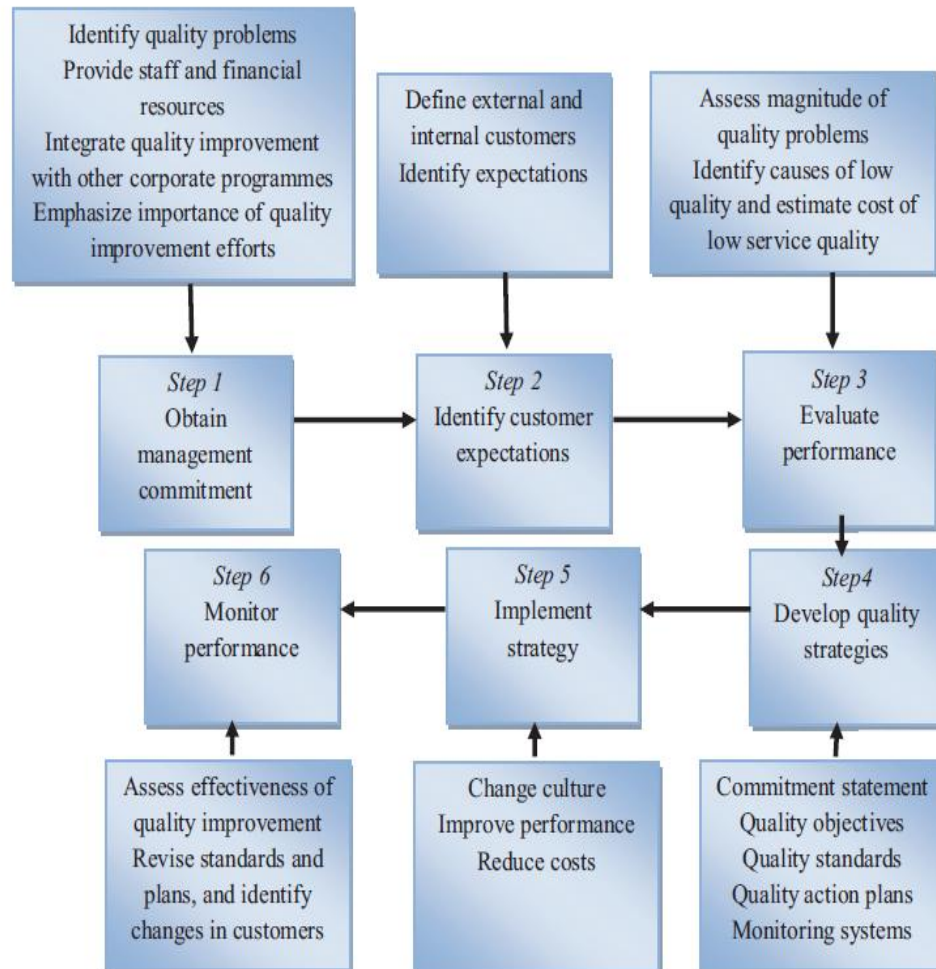


Source: Beddowes et al. (1987, p. 62)

In addition, a six-phase framework was designed by Moore (1987), as can be seen in Figure 3.8, which provides a route map centred on how a 'quality' approach can be initiated. The emphasis is externally placed, although quality problems are not associated with loss of market focus. It should also be recognised that the model does not deliver a tool facilitating the identification of possible areas where there may be inadequacies in quality. The critical elements of this framework are steps 2 and 4, the last of which is the key output. Ideally, the plan should involve an objective statement, an overview of the

improvements suggested, ordered priorities, schedule application, and a number of necessary resources. Both external and internal customer satisfaction should be assessed by means of this particular monitoring system. It may also be recognised that this model has the potential to deliver a model with the ability to deal with wide-ranging business quality-related issues.

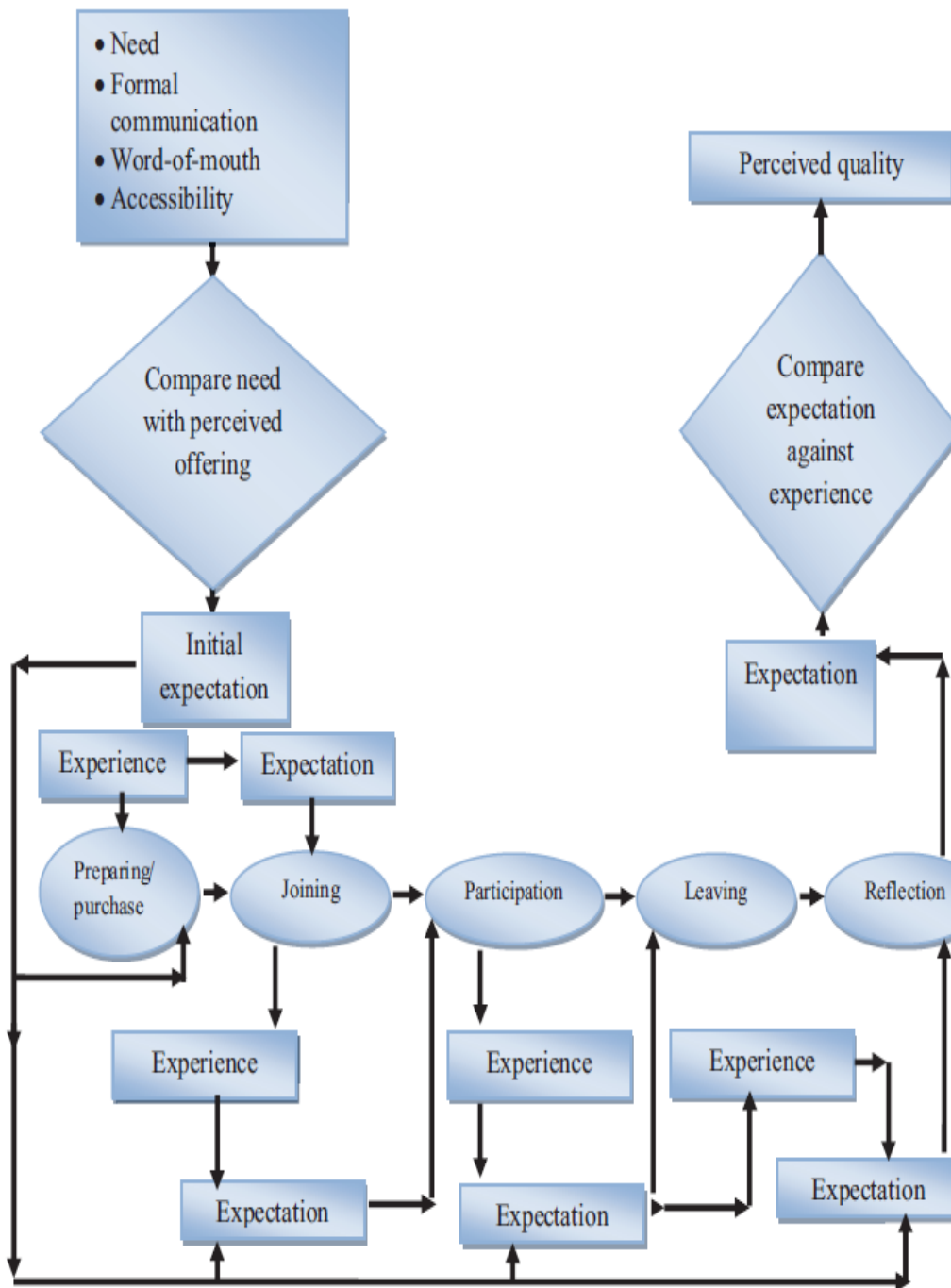
Figure 3-8 Organisational Service Quality Improvement Model



Source: Moore (1987, p. 58)

Overall, it is held that consumers assess the service received, although their expectations are essential for establishing whether or not they are satisfied. There is also the question of how expectations can impact service quality. With this noted, a framework is presented by Nash (1988) which is based on the concept of a 'service journey' (see Figure 3.9).

Figure 3-9 Service Quality Journey Model

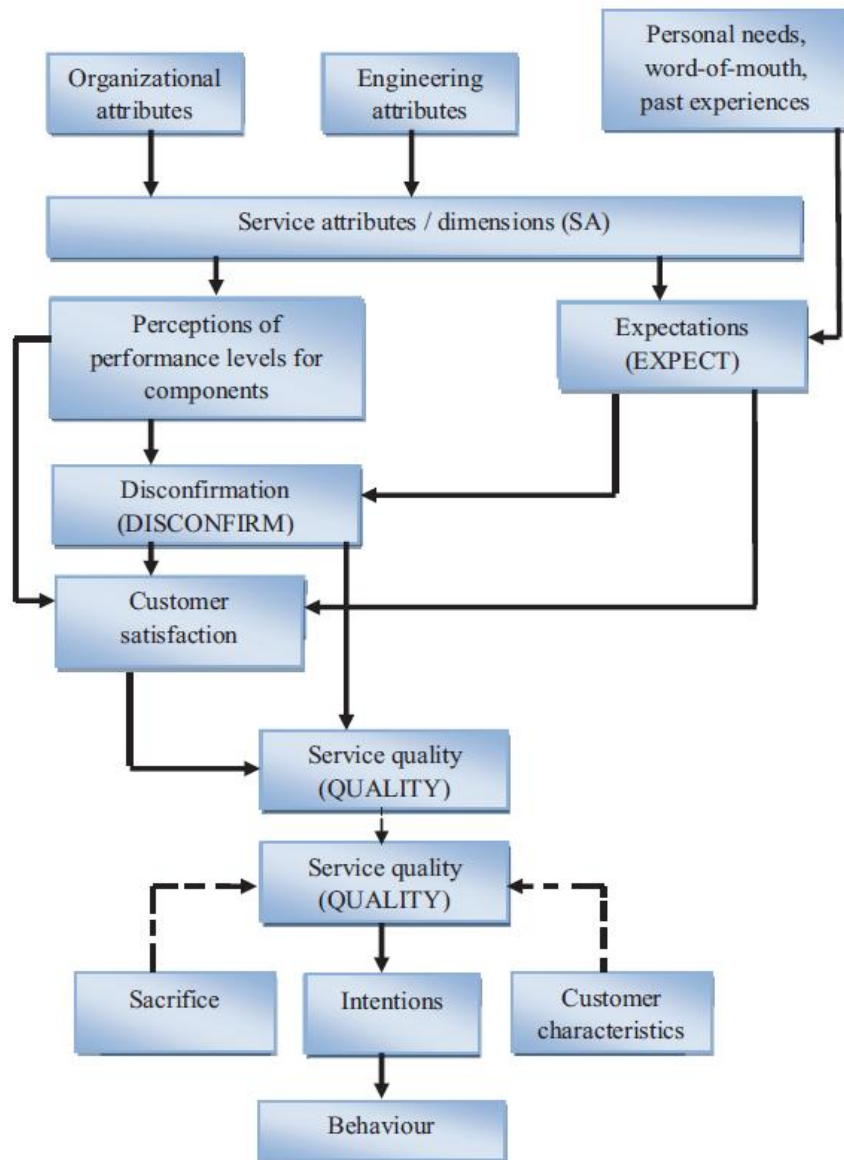


Source: Nash (1988, p. 61)

It is believed that the expectations and experience garnered before purchasing can assist in shaping the expectations of the subsequent phase, with the service journey introduced as a result of requirements. Importantly, if there is a match established between what is offered and the needs of the consumer, there will be a purchase. Importantly, reputation and

communication impact on the selection of a service provider. Promotion and prior communication also influences perceptions at the “participating”, “leaving”, and “reflecting” phases of the “service journey”.

Figure 3-10 Multistage Models of Service Quality and Value



Source: Bolton and Drew (1991, p. 376)

The multi-phase service quality and value framework detailed in Figure 3.10 implies that communication, past experiences, personal needs and word-of-mouth all impact on the expectations of customers, as noted by (Bolton and Drew, 1991). Furthermore, the

framework also highlights a number of engineering and organisational attributes that are seen to affect service quality dimensions, and which naturally impact perceptions with regard to performance. Moreover, it should be considered through this framework that actual performance, disconfirmation and expectations all have a direct impact on customer satisfaction, thus impacting on the perceptions of consumers as regards service quality. Such a conceptualisation further acknowledges that the views of consumers relating to service quality are impacted upon directly through disconfirmation and indirectly through actual performance, disconfirmation and expectation. Nevertheless, service quality perception determinants are not highlighted in the framework; seemingly, however, they are impacted upon by means of the service delivery process attributes.

Sprengh and Mackoy (1996) have modified Oliver's Service Quality Model shown in Figure 3.12 below. Oliver (1993) has proposed a model that is intended to integrate the satisfaction and the service quality literatures (see Figure 3.11 for a modified version of this model). He proposes that while service quality is formed by a comparison between ideals and perceptions of performance regarding quality dimensions, satisfaction is a function of the disconfirmation of predictive expectations regarding both quality dimensions and non-quality dimensions.

Further, perceived service quality is proposed to be an antecedent to satisfaction. There are several limitations to this model. First, Oliver's model suggests that satisfaction is not related to disconfirmation of ideals, except through service quality perceptions. However, there is a fair amount of evidence in the satisfaction literature that ideals or desires are an important antecedent to satisfaction (Barbeau, 1985; Cadotte et al., 1987; Spreng and Olshavsky, 1993; Swan and Trawick, 1980; Westbrook and Reilly, 1983). Second, Oliver's model specifies that expectations do not influence perceptions of performance, despite an extensive literature showing this effect (for a review, see Yi, 1990, pp. 83-84). The model does not highlight how the service quality is gained and operationalized. The model is weak in supplying directions for improvements in service quality.

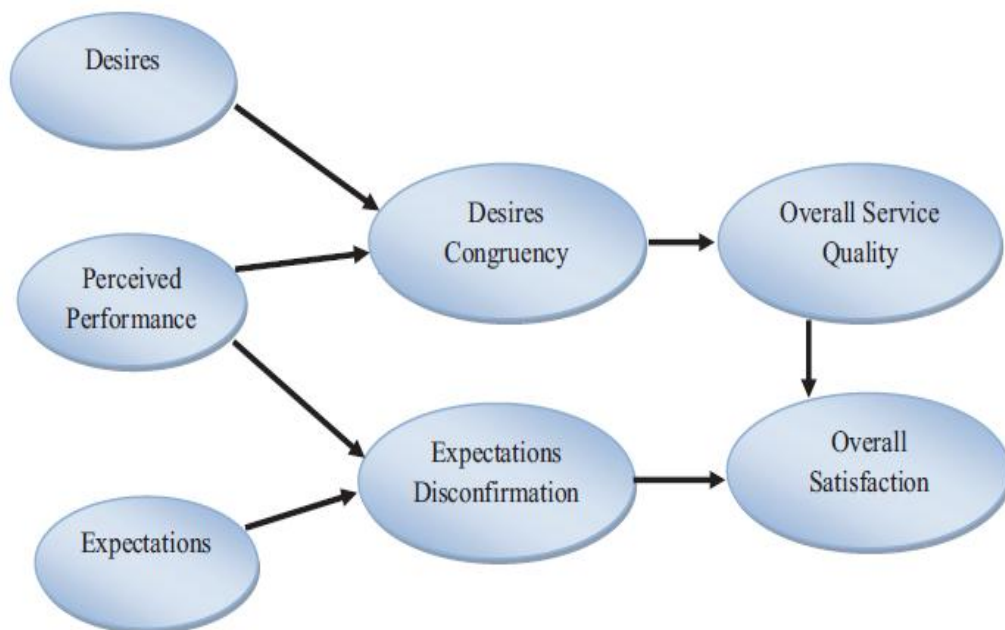
The modified model includes the following:

- Service quality is not directly affected by disconfirmation of expectations, which means that the effect of expectation is indirect.

- This indirect effect of expectation on perceived service quality is positive.
- Conversely, desires have a negative effect on perceived service quality.
- There is no link between desires and perceived service quality

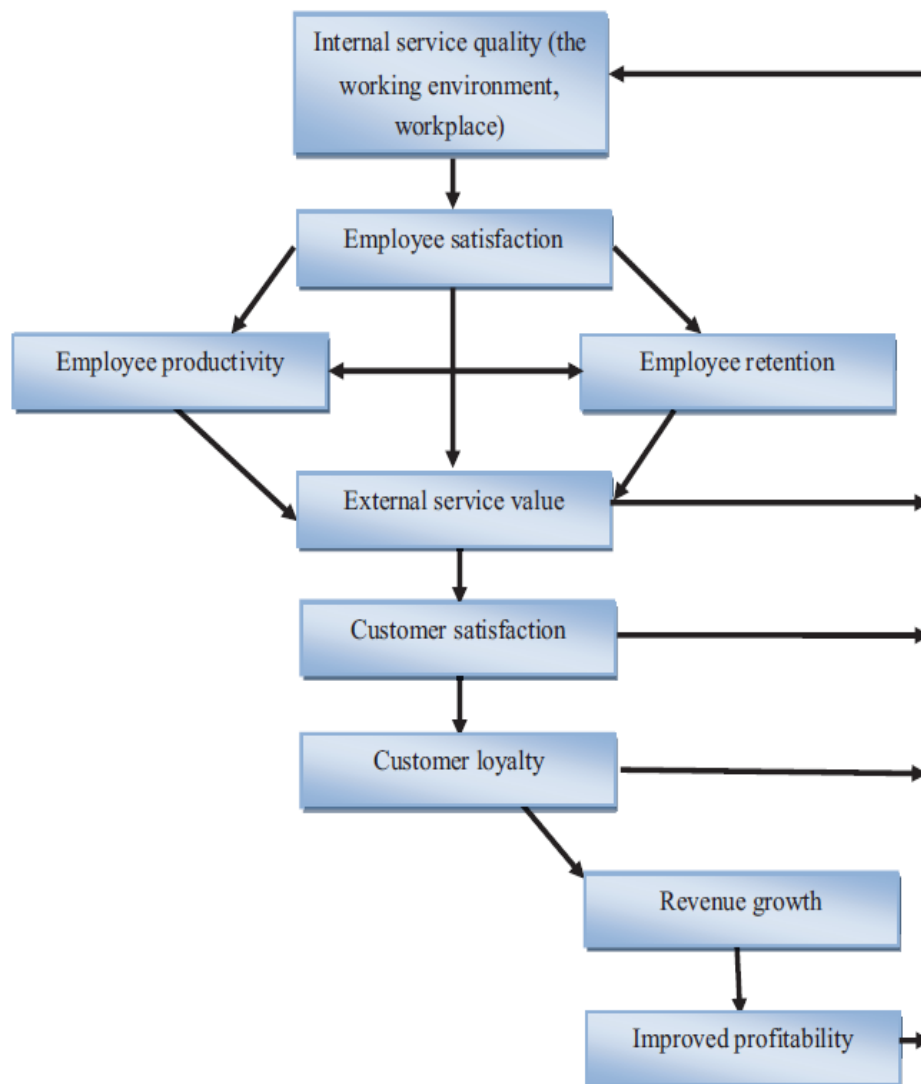
These results were determined earlier by Boulding et al. (1993), who stated that desires and expectations have opposite effects on perceived service quality.

Figure 3-11 Oliver's Service Quality Model



Source: Spreng and Mackoy (1996, p. 203)

As shown in Figure 3.12, the Service Quality–Profit Chain Model provides support for the relationship between financial performance improvements and service quality improvements. As has been discussed previously, there is a keen link between financial performance and service quality, with the belief that high profitability can be achieved by means of staff internally adopting service quality and providing a good service to consumers as Paraskevas (2001) highlighted.

Figure 3-12 Service Quality-Profit Chain Model

Source: Heskett, Sasser and Schlesinger (1997, p. 166)

This framework adopts the stance that internal service quality application in the business environment can result in staff satisfaction. Moreover, employee satisfaction enhances the productivity and retention of staff. Such attributes are seen to reflect positively on the value of external service (Heskett et al., 1997). Through this model, good levels of service value result in the satisfaction of the consumer, subsequently improving levels of profitability and revenue for the organisation. Ultimately, improvements witnessed positively affect internal service quality, which results in the idea that putting such attributes together between the external and internal environment can create a chain comprising service and profit. Table 3.3 provides an overview of the main focus of each of the models discussed in this section.

Table 3-3 Primary Focus of Service Quality Models

Model	Primary focus of the model
Service Quality Dimensions Parasuraman, Zeithaml and Berry (1985)	This model shows service quality dimensions and their relation to expected and perceived service. It also shows the factors that influence customer expectations.
Behavioural Service Quality Beddowes et al. (1987)	This model proves the significance of the influence of behaviour of delivery personnel on perceived quality. It also suggests that a balance between customer and staff expectations leads to a good quality of service. Furthermore, the model provides an overview of the importance of the delivery system.
Organizational Service Quality Improvement Moore (1987)	This model provides a framework for applying a quality improvement programme. It also shows the steps involved in a quality improvement programme and the pertinent factors of each step.
Service Quality Journey Nash (1988)	This model provides the stages of the service journey. Furthermore, it shows the impact of experience at each stage on shaping the expectations and perceptions of service quality.
Multistage Model of Service Quality and Value Bolton and Drew (1991)	This model supports the view that customer expectations are influenced by personal needs, word-of-mouth, and past experience. It also illustrates that organizational attributes and engineering attributes influence service quality dimensions, which in turn influence perceptions of performance.
Oliver's Service Quality Model Spreng and Mackoy (1996)	This model suggests that customer expectations have an indirect effect on service quality. Furthermore, it also proposes that desires have a negative effect on perceived service quality.
Service Quality-Profit Chain Heskett, Sasser, Schlesinger (1997)	This model supports the correlation between improvements in service quality and improvements in financial performance.

Moreover, when reviewing these models, a number of similarities can be seen; these are detailed in Table 3.4

Table 3-4 Similarities in the Focus of the Service Quality Models

Model name	Source	Model focuses on service quality improvements	Model focuses on service quality importance	Model focuses on factors influencing service quality
1. Service Quality Dimensions	Parasuraman et al.(1985)			✓
2. Behavioural Service Quality	Beddowes et al. 1987)			✓
3. Organizational Service Quality Improvement	Moor (1987)	✓		
4. Service Quality Journey	Nash (1988)			✓
5. Multistage Service Quality and Value	Bolton & Drew(1991)			✓
6. Oliver's Service Quality	Spreng & Mackoy (1996)			✓
7. Service Quality-Profit Chain	Heskett et al. (1997)		✓	

The above table shows that six models out of seven focus on factors that influence service quality. One model emphasises improvements in service quality, whilst the other focuses on service quality importance. With this noted, service quality models have been categorised by Martinez & Martinez (2010), who suggested that it is fundamental to establish the difference between formative and reflective measurements. In this vein, reflective measurement is described by Bagozzi & Edwards (2000, p. 155) as “constructs usually viewed as causes of measures, meaning that variation in a construct leads to a variation in its measures”, with Bagozzi (2007) recognising this as a conceptual term. In further support of this view, the reflective measurement is described by Diamantopoulos & Siguaw (2006, p. 263) as “latent variables which are measured using reflective (effect) indicators are seen as functions of the latent variable, whereby changes in the latent

variable are reflected in changes in the observable indicators”. On the other hand, Diamantopoulos & Sigauw (2006, p. 263) described the formative measurement as considering “changes in the indicators that determine changes in the value of the latent variable”. With this in mind, the service quality construct can be considered a formative measurement means whereby changes in dimensions result in service quality construct changes.

According to Martinez & Martinez (2010), service quality frameworks are grouped into three key models in an attempt to assist in service quality conceptualisation.

1. The multidimensional reflective model: the most appropriate example of this type of framework is the retail service quality scale, as presented by scholars Dabholkar, Thorpe & Rentz (1996), which are multi-level and multidimensional in nature, thus inferring that service quality construct variations result in differences in the dimensions, subsequently causing variations in the sub-dimensions.
2. The multidimensional formative model: examples includes the Nordic, SERVPERF and SERVQUAL models, which are multidimensional in nature and which suggest that dimension-related variations result in service quality construct variations, which is in contrast to reflective models. Such frameworks consider service quality as being affected in accordance with its dimensions, which is not the same as in the aforementioned models, which view service quality as being recognised through its dimensions.
3. The multidimensional formative-reflective model: one of the best examples of this framework is that presented by Brady & Cronin (2001), with such models consisting of a mix of the previous two types. In the sense that they conceptualise service quality as being shaped by their dimensions, they are similar to formative models, in that dimensions are reflected by their sub-dimensions and are similar to the reflective models.

To sum up, frameworks centred on service quality can be considered valuable for a number of different reasons. They provide a summary of elements which impact on a firm’s service quality, they assist management to acquire awareness of the issues linked with service quality, enable insight into how quality drawbacks arise and assist in the implementation of improvement initiatives. By contrast, however, there are also various

drawbacks: they are overly simple when compared with reality and they present only simple links between otherwise complicated phenomena (Ghobadian, Speller & Jones, 1994). Accordingly, it should be acknowledged that the models considered centre only on social phenomena. In other words, such frameworks add value as regards the concept of service quality. It is acknowledged that service quality refers to exceeding or simply fulfilling the requirements and needs of consumers however, without recognising the value of this and the aspects impacting upon it, the concept remains indecisive.

As a general critical overview, it must be stated that these models fail to examine the nature of association between service quality perceived by consumers and its determinants. Moreover, these models can be better served if they somehow managed to identify different segments of consumers and then proceed with the expectations and perception. Finally, as has been stated earlier, any model of service quality based on a one-off questionnaire lacks dynamism. This is to say that customers' expectations are expected to change overtime and hence be influenced by different factors at each stage of delivery of service.

3.13 Service Quality Measurement in the Banking Industry

As has been reiterated in the work of Ranaweera & Prabhu, (2003), the concept of marketing deals with identification, anticipation, and the retention of customers and, represents the main artery to any long-run survival and success of institutions. Likewise, banks cannot afford to lose customers, and hence market share, through offering poor service; this could result in low earnings/profits and unhappy stakeholders (Kaynak & Kucukemiroglu, 1992; Levesque & McDougall, 1996; Kaynak & Harcar, 2005). Furthermore, it has been highlighted that, in keeping existing customers happy and satisfied, it would be much more economical in the long-run to devise a system of effective quality delivery as opposed to redesigning an instance of poor service quality (Ford, Joseph & Joseph, 1999; Duncan & Elliot, 2002). In this regard, it is highly likely that an exodus of a large number of customers would be seen leaving poor quality banks and moving to those they perceive to meet their quality requirements, thus leading to a case of bad word-of-mouth against such banks (Martenson, 1985; Tan & Chua, 1986; Khazeh & Decker, 1992; Boyd *et al.*, 1994; Veloutsou *et al.*, 2004). Owing to the smaller number of tangible features available in banking services compared with other industries, it can be argued that there is a much more straightforward process for customers to

evaluate; in effect, most banks customers' assurances and perceptions are primarily affected by some intangible elements. In consideration of this phenomenon, banks' services ought to be managed promptly, indicating that, if the aspects of assurance, empathy, responsiveness and reliability perceived by customers fall short of their expectations, they will then regard the service as poor. Banks need to ensure that service quality dimensions are managed competently so as to meet or exceed customers' expectations (Parasuraman *et al.*, 1988, 1991, 1993; Avkiran, 1999; Bahia & Nantel, 2000; Vargo & Lusch, 2004).

The term 'servicecapes', as proposed by Bitner, (1992), refers to the tangible elements that need to comply and be appreciated by customers. Above all, physical features, such as cashier's layout, staff uniforms, the shape and size of cheque books, IT equipment, and physicality and workability of ATMs, all need to be of acceptable standards and appealing to customers who have already developed a mental picture of their service expectations. It is therefore expected that, once the customers experience problems with the use of such features, their impression and expectations of the bank's service quality will be seriously damaged and, in some cases, may cause them to change their bank in favour of a competing one (Reichheld & Sasser, 1990; Ranaweera & Prabhu, 2003).

As far as banks are concerned, the first step is to identify customers' quality needs, and then to identify these needs through use of the instrument of the SERVQUAL models on a regular basis. Consequently, the banks can anticipate and identify customers' service requirements proactively; the service would then be altered to allow for the needs of their specific market. In this way, SERVQUAL would therefore have the potential to produce actual competitive advantages.

3.14 Empirics on Service Quality in the Banking Sector

The earlier discussion of the empirical body has made reference to a large number of studies conducted on service quality in the retail-banking sector, for which a large majority have applied the SERVQUAL model in measuring and evaluating service quality by either replicating or adapting it (amongst many see Blanchard & Galloway, 1994; Newman & Cowling, 1996; Athanassopoulos, 1997; Newman, 2001). Conversely, a much lower number of studies have been found to use the Grönroos' approach on service quality

(e. g. Howcroft, 1993; Holmlund & Kock, 1996; Ennew & Binks, 1999). More recently, a number of new models of service quality have been developed in retail banking (e. g. Mersha & Adlaka, 1992; Avkiran, 1994), primarily based on the SERVQUAL structure and mainly covering banks in North America, Australia, Hong Kong, the UK, and various Islamic and Arab countries.

The so-called BANKSERV model has been introduced by Avkiran, (1994) in order to measure and assess service quality evaluations of the customers of Australian banks. Markedly, the scholar held the view that there is a strong relationship between the satisfaction of consumers and that of banks' service quality. This particular framework calculates and analyses the service quality of banks across four different dimensions, accessibility of ATM, effective communication, staff behaviour, and trustworthiness, through the utilisation of seventeen individual items. In the view of Avkiran, (1994), trustworthiness must be considered as an amalgamation of numerous attributes of effective communication, staff behaviour, and the availability of functional ATM facilities. The researchers further emphasise that accessibility to bank branches is recognised as being the most important factor affecting consumer satisfaction, despite the availability of other services, such as internet, mobile and telephone banking. With regard to specific consideration of the BANKSERV model's efficiency, Avkiran, (1999) stated, that the main benefit of the framework lies in its potential to eradicate psychometric issues apparent in the SERVQUAL model.

In examining the overall effectiveness of banking in Alexandria, Egypt, Al Sahan, (1994) applied the gaps analysis model and accordingly tested the extent of the perceived quality gaps from the customers' viewpoint, and its importance in terms of elaborating the apparent service quality in establishing and examining the various organisational factors responsible for causing the gaps. It is suggested through the research that there is, indeed, a gap present between management perceptions of service quality and consumers' expectations of this, with Al Sahan, (1994) subsequently drawing the conclusion that, considering the emphasis placed on marketing plans, consumers should be placed at the core of service quality, with plans devised in accordance with data garnered through market research which has focused on the service quality perceptions and expectations of consumers. Such conclusions provide further support of the belief that there should be consideration of the reliability dimension when establishing quality, with responsiveness

and security subsequently taken into account respectively. As regards this conclusion, it is therefore recognised as essential that the necessary guidelines be designed in terms of the assessment of the relative importance of quality dimensions, and should therefore persuade management to ensure regular contact with consumers.

A more comprehensive study of banking was carried out in Turkey by Yavas *et al.*, (1997), who conducted an investigation into the potential relationships between service quality, customer satisfaction, complaint behaviour and commitment. This study further supports the view that customer contact is a major element of high-quality service delivery, and that customer satisfaction is maintained by means of the identification and potential contribution that contacts can make to the attraction and retention of satisfied customers. This study is crucial for Turkey a Muslim emerging economy, and similar economies, and is extremely important for banks in terms of developing and pursuing personal relationships and face-to-face communications with their customers if they wish to retain them and keep them satisfied.

Another study based on SERVQUAL in three different service sectors, banking, motor insurance, and motor repair service stations, was carried out by Mels *et al.*, (1997), whose focus was employed only with regard to explanatory factor analysis with the aim of establishing that the SERVQUAL tool's factor structure may derive from two sources: extrinsic service quality and intrinsic service quality. This is recognised as opposing the five factors highlighted by Parasuraman *et al.* (1988). As for the intrinsic service, the items included were staff actions. Furthermore, the extrinsic service quality items are recognised as service delivery's tangible assets. In this regard, Mels *et al.*, (1997) produced a two-dimensional framework, with the scholars stating that a two-factor solution is more adequate in terms of interpretation, and is therefore recognised as more valuable. Such findings provide support for the Nordic School of thought which, a decade before, emphasised that perceptions surrounding service quality were mainly stabled by two dimensions, as opposed to five. Such a conclusion has subsequently resulted in an important question being posed: do consumers place greater value on the fulfilment of cultural and emotional needs by service quality encounter, or are they satisfied and happy with their sufficient banking needs? Although the answer to this question is rather straightforward in the context of Western developed economies, in other countries of the world, one may expect to observe other dimensions playing much greater roles in

customer satisfaction maximisation, thereby suggesting that more or fewer dimensions of SERVQUAL may actually be helpful to service providers.

In testing for the presence of a uni-dimensionality structure, Llosa *et al.*, (1998) applied the SERVQUAL model to the customers of a large French bank, and found no support for the hypothesis. As stated earlier, the concept of uni-dimensionality was first introduced and tested by Cronin & Taylor (1992, 1994), who reported its strong presence in their comprehensive study. Llosa *et al.* (1998) also established a lack of continuity in the minds of their respondents as regards the 22 items detailed on the SERVQUAL model scale and the five associated dimensions, with the exception of the dimension concerned with tangibility. With the help of hierarchical cluster analysis, they found that partitions with five, four, or three clusters fitted the data better than SERVQUAL's five-dimension partition. In their final reporting of the results, they devised three-cluster partitions, namely broadened tangibles, contractual performance (reliability, competence), and confidence and receptiveness.

The study by Angur *et al.*, (1999), which targeted two major Indian banks, is also worth mentioning owing to the fact that the work offers an alternative instrument for measuring service quality. Given the widespread positioning and diversity of such banks' customers, the authors reported that customers' perceptions of service quality were based on multiple dimensions, and were therefore not in full conformity with the conclusions of Parasuraman *et al.*, (1985), who recommended utilisation of the five-dimensional construct. They further reported that the SERVQUAL tool used in their research adopted a four-dimensional assembly, and that the SERVQUAL scale appeared to provide improved diagnostic data when compared with the SERVPERF scale. In consideration of the fact that India is a highly populated country with diverse people and varying demographic socio-economical and socio-cultural features, Angue *et al.*, (1999) concluded, on the basis of the results garnered, that both responsiveness and reliability are significant elements in the view of Indian customers, both of which play a keen role in the perceptions of service quality. As has been highlighted throughout this research, SERVQUAL is recognised as being a superior tool in terms of measuring quality when contrasted against SERVPERF, thus emphasising that SERVQUAL is considered more suitable for research studies centred on service quality in the area of emerging economies' banking systems.

Bahia & Nantel, (2000) created a framework built specifically for analysing banks' service quality (BSQ). The aim of the building of this Model (BSQ) was to facilitate the measurement of banking services quality, ensuring a significant degree of precision. In consideration of the banking sector in Canada, a scale was originally tested on the basis of 115 respondents, aged 18–60. The authors utilised the ten dimensions originally contained within the SERVQUAL model, emphasising that such dimensions were much more capable of picking up variations in satisfaction than the five dimensions. The scale used covered six different dimensions with thirty-one items, and included various elements of the marketing indicators. The dimensions they considered to be significant included access, effectiveness and assurance, price, reliability, service portfolio and tangibility. In this particular context, 'effectiveness' refers to the way in which staff is able to inspire a feeling of courtesy and security. 'Access', on the other hand, implies the speed and accuracy at which the service is conducted. 'Service portfolio' considers the mix or types of products available from the bank. As the authors expressed, reliability and tangibility are afforded the same definition provided by the SERVQUAL models, as noted previously during the course of this literature review.

In the light of many items contained within the framework, it has been demonstrated that banks' service quality (BSQ) performs better than the SERVQUAL or Nordic models when measuring customers' perceptions of banking service quality. This is primarily true as the model was designed and developed specifically for the purpose of measuring service quality within the banking sector. Furthermore, as has been highlighted in Spathis, (2002), the BSQ model has been tested in various different countries, producing results that can be considered effective and consistent and suggesting the overall value of BSQ as a tool of analysis within the banking environment.

A study by Lassar *et al.*, (2000), on the other hand, which made use of the SERVQUAL model, analysed the potential influence of banking service quality on customer satisfaction, and accordingly illustrated the existence of various positive links between service quality, loyalty and competitive advantage. Furthermore, they reported that SERVQUAL was found to show validity and consistency across the board, thereby indicating its significant impact in terms of noting the communication service quality and the role it can play in the banking sector.

As a result of conducting a study in the Kuwait Finance House (KFH), Othman & Owen (2001) suggested that a modified version of the SERVQUAL model, referred to as CARTER, appeared to work well in such environments, and hence the scholars recommended that it be employed by the management of Islamic banks to measure the level of service quality and customer satisfaction.

As has been stated earlier, the modified model of SERVQUAL is primarily focussed on those five dimensions encompassed within the original SERVQUAL dimensions. Othman & Owen, (2001) also reported that a new dimension has been specially selected and customised in mind of the overall nature of the Islamic banking business, referred to by the researcher as Compliance, comprising various new items that adhere to the banks' commitment to follow Islamic principles, i.e. interest-free loans, Islamic services and products delivery, and the availability of investments centred on a profit-sharing approach. The compliance aspect of service quality within the context of the Islamic banking sector, as emphasised by the authors, has heightened aspects of assurance and responsiveness, whilst other dimensions, namely tangibles, reliability, and empathy, have all been found to be lower in terms of importance.

A study by Sureshchandar *et al.*, (2002) made an attempt to create a model able to fulfil the requirements of the banking industry through the design of a modified version of the SERVQUAL model. The main objectives of their study were: (a) to identify key elements that customers' used to determine service quality; (b) to design an appropriate and competent instrument that would suit the needs of the banking sector and one that would measure customers' service quality perception; (c) to ensure that the instrument conformed to accepted standards with establish analysis techniques in terms of validity and reliability. The instrument used in this study comprises five dimensions: competency during the service encounter, organisations' ethics, service environment or services cape, service personnel, and service product. They report that their instrument was found to be valuable in terms of drawing service quality comparisons against a number of other competing organisations (Sureshchandar *et al.*, 2002), and also that it is able to deliver a good degree of flexibility in terms of deducting/adding various other dimensions so as to adhere to/fulfil a market setting. Moreover, the scholars emphasised that this particular framework helps to deliver a path for enhancing the delivery of services within the banking area.

In their comparative study of South Korean and Australian banks, Kayis *et al.*, (2003) examined an empirical investigation concerned with evaluating and comparing customers' perceptions and expectations of service. In consideration of the fact that they possessed an interest in establishing the key differences, factors, and similarities impacting the expectations and expectations of consumers regarding the service quality of banks, their results highlighted that banks operating within both countries which had staff with good levels of knowledge and management with keen competence, were able to deliver a greater outcome in terms of the quality perceptions held by customers. Thus, their results suggested that people management is one of the most critical aspects to take into account when striving to achieve a competitive advantage. The findings of this study suggest that people are the central and pivotal aspect of the provision of services, and have an enormous influence on customer perceptions.

In another study linked to service quality measurement within the banking sector of Korea, a questionnaire was adopted by Cui *et al.*, (2003) with the tool comprising three individual measures: namely, expectations, importance, and perceptions of performance. During the process of adopting the original SERVQUAL disconfirmation, it was established by the scholars that the measurement items and psychometric dimensions highlighted by Parasuraman *et al.*, (1988) were not verified in the context of the South Korean banking sector. The original SERVPERF was found to be of use only when the original 21 measure items were aggregated into five dimensions, suggesting a limited utility in terms of capturing the specific details of the construct of service quality from the perspectives of theoretical development and managerial practice.. Likewise, in complying with literature findings, the authors stated that there is a cross-cultural conformity with regard to the tangibles. Accordingly, Cui *et al.*, (2003) drew the conclusion that the SERVPERF models were essentially no better compared to the SERVQUAL when adopted within the Korean banking sector.

Jabnoun & Al-Tamimi, (2003) also made an attempt to modify SERVQUAL model by developing a tool with the aim of measuring and assessing commercial banks' service quality within the context of the United Arab Emirates. Selecting and modifying thirty items taken from the main five dimensions of SERVQUAL, the validity and reliability were tested as regards the three individual dimensions, namely empathy, human skills and tangibles. As the study reported, these three dimensions were all found to be

significant in terms of determining the overall service quality variations. Importantly, it was found that the most important contributor with regard to such variations, as highlighted by the research, was that of human skills. In short, the findings derived from this research agree with other studies, which have shed light on the importance of human interaction with the service process.

When conducting a study based on the comparison of the five dimensions of SERVQUAL in two main Islamic banks in UAE, Al-Tamimi & Al Amiri, (2003) measured service quality. Their findings, based on a series of tests, demonstrated that there appears to be a strong, positive, statistically significant link between the SERVQUAL dimensions and service quality. Moreover, their results have also demonstrated that the customers of Islamic banks within the context of the UAE have been found to be satisfied with the overall service quality. Furthermore, the study concluded that empathy and tangibles are evidenced as being the most important and significant dimensions, whilst reliability, responsiveness and assurance are less important.

Another study within the UAE banking sector was conducted by Jabnoun & Khalifa, (2005), who devised the development of a measure of service quality amongst a number of conventional and Islamic banks. The study developed a thirty-item questionnaire comprising SERVQUAL's five individual dimensions, i.e. four aspects of assurance, four aspects of empathy, five aspects of reliability, three aspects of responsiveness, and five aspects of tangibles, together with two new dimensions referred to as image and values. The results of the factor analysis led to determination of only four dimensions: personal skills, reliability, values, and image. They reported that the new dimensions, values and image, proved to be deterministic factors in service quality. On the other hand, only value and personal skills were established as significant with regard to the determination of perceptions surrounding Islamic banks' service quality. In this regard, the underlying message derived from this study was that customers of Islamic banks assign much greater value to their treatment on a personal level, as well as in terms of the conventional ways of being handled by the bank and its staff.

When examining the cross-cultural distinctions between retail banks in the USA and China, Balestrini & Huo, (2005) took a sample of 160 customers with a similar demographic background from both countries, and accordingly surveyed them. Upon the application of a stratified random sampling of their population, the authors claimed that,

through the use of their sample of students as customers, they managed to formulate a homogenous group with similar behaviour and interests. Based on the questionnaire, which was designed following the SERVQUAL model (Parasuraman *et al.*, 1988), it was reported that their results are indicative of students from both cultural backgrounds having much higher expectations of service quality of their banks when compared with their Chinese counterparts.

Arasli *et al.*, (2005) conducted a study of Greek Cypriot banks, the aim being to measure the perceptions and expectations of service quality, and assess the link between word-of-mouth, customer satisfaction and service quality with regard to bank market dynamics changes following the country becoming a member of the EU. The research took a sample of 260 bank customers and implemented the SERVQUAL model. The factor analysis and multivariate regression analysis implementation facilitated the influence of the service quality dimensions to be estimated in terms of overall customer satisfaction, alongside its subsequent impact on word-of-mouth. Accordingly, Arasli *et al.*, (2005) reported that the final format of the SERVQUAL scales was of a three-dimensional structure, and also that the widest gap was found in the responsiveness-empathy dimension. Reliability was also found to have influenced customer satisfaction most, with a statistically significant impact on word-of-mouth. This finding, which has reported gaps between expectations and delivery of items in the responsiveness, empathy dimension, is recognised as being of fundamental importance owing to its being indicative of customers' feelings that their bank took into consideration their distinctive personal and cultural requirements.

The measurement of the degree of customer satisfaction and service quality in Malaysian commercial banks was a matter of concern in the study by Tahir & Bakar, (2007), who used a questionnaire to gather data from a sample of 300 customers living in the East Coast region. The conventional SERVQUAL measurements were employed with a statistical analysis in order to assess customer perceptions concerning service quality levels. The detailed gaps analysis suggested that the overall service quality provided by the commercial banks was below customers' expectations. As anticipated, the study reported that responsiveness was found to be the most important dimension for customers, followed by reliability, tangibility, assurance, and empathy. Although the findings showed that customers were generally satisfied with the overall service quality of the banks,

however, the most significant gap was found to be linked with the dimension of responsiveness. Further evidence, once again, is indicative of the fact that, in an Islamic developing economy, personal relationships are the key factor when striving to gain competitive advantage.

Another study into Islamic banks in Malaysia was conducted by Amin & Isa, (2008), who attempted to assess the link between customer satisfaction and service quality perceptions through the implementation of the SERVQUAL measurement tool. The study reported that the authors had to make some modifications to alter the model into a six-dimensional structure, comprising assurance, empathy, reliability, responsiveness, tangibles, and a compliance dimension regarding measuring the service quality within the context of the Malaysian Islamic banking sector. The preliminary results of the study showed that there was a high proportion of Malaysian Muslims who were aware of Islamic banking products and services. The results suggest that, overall customers were satisfied with the degree of service quality delivered by most of the banks operating within the Islamic banking sector. The study further prescribed that the Islamic banking service quality dimensions framework should be standardised, comprising the six dimensions, thus constituting sound satisfaction determinants.

Hossain & Leo, (2009) devised a study to design and evaluate the service quality in the retail banking sector in the Middle East both in general and with a special reference to Qatar. The examination of different levels of customers' perceptions and expectations were, on the whole, based on primary data collected through a scientifically developed questionnaire. Using a personally administered questionnaire on a sample of 120 customers, on a convenient basis from four Qatari banks, they reported that the design of the questionnaire was influenced by the studies of previous scholars, such as Berry *et al.*, Parasuraman *et al.*, (1985) Zeithaml & Bitner, (1996) and Stafford, (1996). The overall findings indicated that customers' perceptions were highest in the area of tangibles and lowest in the area of competence.

Kumar *et al.*, (2009) re-examined the SERVQUAL model and the critical factors in assessing the level of service quality of banks in different parts of Malaysia on the basis of a sample of 308 bank customers using a structured questionnaire. Through the course of their research, the dominance analysis approach was implemented with the aim of measuring the importance associated with each of the critical factors in terms of closing

up the overall service quality gap within the banking sector. This modified SERVQUAL model, as they noted, returned four critical dimensions through the use of factor analysis: competence, convenience, reliability, and tangibility. Their findings demonstrated that there were a number of key disparities between the expectations and perceptions of the respondents. The study further reported that the testing of all four dimensions resulted in tangibility demonstrating the smallest gap and convenience demonstrating the largest gap. The study concluded that the Malaysian banking sector needed to become more responsive in terms of securing the expectations of their customers, and to further attempt to provide banking facilities more conveniently.

In a comparative analysis of Pakistani Islamic and conventional banks, Ashfaq *et al.*, (2010) carried out an investigation into the key determinants of customers' quality perceptions and expectations with the use of data from a total of 720 respondents from different geo-demographic sectors of society. Upon employing a structured questionnaire, written in English, different aspects of service quality were considered through a modified version of the SERVQUAL model. The authors claimed that their research was primarily influenced by a large number of banks that have managed to gain entry into the Pakistan banking sector, following financial deregulation and liberalisation. More specifically, Islamic banks were growing in popularity as a result of their strategy of not paying interest, or charging interest, on their products. Accordingly, the research established that a keen degree of competition was found to be apparent between the two banking groups. In this regard, it should be noted that the research also established that Islamic banks' customers are likely to have a good degree of service quality perceptions when contrasted with more conventional banking institutions. In this vein, the scholars further stated that this result may suggest that Islamic banks' customers may have different expectations when compared with non-Islamic banks or, on the other hand, that customer requirements were more efficiently fulfilled by Islamic banks than non-Islamic banks.

Taking into account a comparative analysis of two banks, Islamic Bank of Britain and Cooperative Bank, functioning within Britain, Sadek *et al.*, (2010) assessed the differences between the two with regard to the perceptions and expectations of quality. It was established that one of the main similarities between the two banks is their highly ethical approach to service delivery, with Sharia principles adopted by the Islamic Bank of Britain. By means of the application of a modified version of the SERVQUAL tool, the

research placed emphasis on collecting data from customers located within the Leicestershire area. Six different dimensions were taken into account, namely compliance, level of reliability, empathy, tangibles, responsiveness, and finally assurance. It was established that Islamic banking customers' key aspects of satisfaction included a lack of interest in loans and savings, products and services were offered on the principles of their faith, staff being polite and courteous and that a profit-sharing nature was adopted by the bank. Moreover, when assessing the Cooperative Bank's customers, various items, such as financial support and ethical values, were ranked as the most important amongst customers. In consideration of the main elements resulting in customer satisfaction in relation to both banking institutions, a number of items were found to be important, including an attractive services cape, competent financial advice, ease of access staff courtesy, and staff knowledge. The research results are not significantly different to other research studies carried out in the main Islamic states. Although the religious background associated with the two banks differed, customers never the less partially gave high values to their ethical position, thus suggesting that customers seek more than financial competence and services from their banks.

This result suggests that there is variation in customer satisfaction according to service nature. In such a situation, the greatest customer satisfaction is recognised in the area of responsiveness, followed by reliability. By contrast, moderate satisfaction is found in tangibles and empathy. Owing to significant disparity in the responses, it is considered that customer requirements may only be fulfilled if both private and public banks address areas of weakness. Accordingly, banks need to ensure customer expectations are satisfied and/or exceeded through their services in order for success to be achieved.

Hussain *et al.*, (2011) carried out a study concerned with examining and assessing customer satisfaction within the Pakistani banking industry generally and in Faisalabad in particular, in consideration of a number of different customer perceptions and expectations concerning service quality. The research was empirical in nature, mainly based on primary data gathered through the utilisation of a structured questionnaire. The questionnaire was configured in consideration of the works of other scholars (Berry *et al.*, 1985; Parasuraman *et al.*, 1985; Zeithaml & Bitner, 1996; Stafford, 1996). Berry *et al.* (1985) and Zeithaml & Bitner (1996) established five different dimensions associated with service quality, namely assurance, empathy, reliability, responsiveness, and

tangibility. The questionnaire was personally administered amongst the sample, utilising convenience sampling targeting four different Pakistani banking institutions, i.e. the Alfalah Bank Limited, Faysal Bank Limited, National Bank Limited, and The Bank of Punjab., The study offers a valuable contribution owing to the fact that there are only a handful of research studies concerned with service quality assessment within the context of the Pakistani banking sector (Hussain et al., 2011).

Bhatia & Lohani (2012) devised a study to compare customers' perceptions of service quality of both public and private banks of India. The service quality of both the banks has been measured using SERVQUAL (service quality) scale. This study is based on a survey conducted in Lucknow City. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as texts book on service quality, articles, quality magazines, and published papers. For the purpose of the study, a questionnaire was designed on a 5 point Likert scale, where '1' represents SD (strongly disagree) and '5' represents SA (strongly agree), and the total 410 respondents were asked to respond to the statements in the SERVQUAL scale. The questionnaire consisted of 26 questions related to five dimensions of service quality in which the customers of various banks responded against their expectations and perceptions. Questionnaires were personally delivered by hand at workplaces and homes, which was used as a method for data collection. The respondents (220 from public sector banks and 190 from private sector banks) were required to record their perceptions and expectations of the service of the respective public sector bank and private sector banks in Lucknow. Three public sector banks-SBI, PNB and BOB and three private sector banks – HDFC, ICICI and Axis were selected for the study. The study is based on the assumption that all banks belong to the same category. This categorization was based on the responses of the customers.

Sajid et al., (2013) carried out a study concerned with determining the service quality of banks within the Pakistani banking industry. The questionnaires were given to every third customer of the banks to judge their perceived service quality to find the perceived service quality the questionnaire was used which was originally given by (Parasuraman et al. 1988). This instrument has two parts to be answered .i.e. expectation and perception with 22 questions each and 44 questions in total. Each part has five dimensions measured on a 7 point likert scale ranging from 1= “strongly agree” to

7="strongly disagree". the results shows that the banking institutions are exceeding customer expectations in three dimensions i.e. "Tangibles", "Reliability" and "Responsiveness" and lacking the other two dimensions "Assurance" and "Empathy". The main reason behind this satisfaction is a high level of competition among the banks in Pakistan and another reason might be the strong regulatory framework of banks in Pakistan. Although the service quality gap is very low on both sides so the banks should take serious steps to cater for the dissatisfaction among its customers.

Gautam and Singh (2014) conducted a study of Indian public banking sector and foreign banks operating, the aim being to assess the service quality gaps (difference of customer expectation and perception of service quality) .It seeks to study service quality perceptions and expectations for the Indian banking customers by using SERVQUAL model. Primary data has been collected through survey. The questionnaire has been developed in two parts. First part includes five service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy. The second part of the questionnaire includes demographic information. Sample size is 150. The respondents were asked to rate each statement on a Likert scale of 1 to 5. Where 1 is "strongly disagree" and 5 is "strongly agree" .The data collected was analysed through statistical tools such as frequency, descriptive statistics, T-test etc. and hypothesis testing was implemented for the different dimensions. The study contributes in understanding service quality gaps in Indian public sector banks and foreign banks operating in India.

A more comprehensive study of banking was carried out in Ghanaian banking industry by Cudjo et al., (2015), who conducted examined the effect of service quality dimensions on customer satisfaction as well as rated in order of importance the customer service issues that need to be improved to increase customer satisfaction from the customers' point of view. This study assesses the effect of service quality on customer satisfaction in the Ghanaian banking industry using Ghana Commercial Bank as a study area. The study specifically, focused on three branches of GCB with (120) customers constituting the sample size. Purposive sampling technique was employed in the study with Statistical Package for Social Sciences (SPSS) used for the analysis. The expectations and perceptions of GCB customers were assessed under five dimensions of SERVQUAL. The researchers found out that, all the five dimensions contributed to quality of service delivery in GCB. Rating the dimensions based on expectations and

perceptions of service delivery that need to be improved, it revealed that, GCB should work towards enhancing on reliability, responsiveness, empathy, assurance, and tangibility dimensions respectively.

The study results emphasised that customer satisfaction differs in direct regard to service nature. In this instance, greater customer satisfaction is found to be in the area of responsiveness, in this context, the friendly approach of employees and willingness to assist the customer, with reliability following in the form of customer guidance and support. By contrast, moderate degrees of satisfaction were found in the area of tangibility, with empathy following. Owing to the significant variation in responses, it was recognised that there is a need for both the private and public banking sectors to fulfil customer requirements, and so, in order to achieve success, banks must meet or otherwise exceed expectations.

3.15 Literature's Implications for Libya

The choice of banking services for Libya must be considered in relation to its socio-economic infrastructure and political environment. The Libyan banking sector is still in its infancy, however, during the past decade or so, rapid change has been witnessed in terms of its size, portfolios, and competitive nature, primarily owing to the recent wave of privatisation and liberalisation of the banking sector. This process has been accentuated since the early 2000s, at which point the UN and the US economic sanctions on Libya were removed. The recent uprising, which has led to the removal of the old regime, is expected, in the medium term, to bring about economic and political freedom, thereby enabling real competition in all sectors of the economy.

In the light of these recent developments, it is necessary to establish how commercial banks will be able to enhance their quality standards and, accordingly, maximise customers' satisfaction. As one of the principal aims of the study is to examine and evaluate service quality in the Libyan commercial banking sector, the examination of service quality offered by these banks then constitutes the core of this study. It is expected that the recent liberalisation strategies will enable banks to develop their key differentiating factors in gaining competitive advantage, hence increasing customers' satisfaction.

In so far as this study is concerned, several fundamental conclusions can be drawn from the literature review, as follows:

1. A considerable amount of the literature focuses principally on Western and Far-Eastern countries (see, for example, Ennew & Binks (1996) and Abdul Razak & Chong (2007).
2. The literature review helps to form a structure for the study, and identifies the methods and general conclusions derived from research studies relevant to this study. In particular, the literature tends to suggest that, whilst SERVQUAL has been criticised for certain shortcomings, it is still regarded as a robust and flexible research instrument with the capacity to produce valuable insights into the service quality offerings of both different sectors and cultures. It is capable of being adapted to different research environments according to the focus the researcher wishes to adopt, and results which do not confirm the existence of the original five dimensions identified by Parasuraman et al. (1985) should not be regarded as a failing of the model, but rather as revealing something about the research context. Additionally, the study of previous research facilitated the achievement of some of the aims, and the analysis of the different methodologies and techniques previously used contributed to the researcher's decision as to which was most appropriate to this study.
3. Although several research works have been referred to with regard to Arab/Muslim countries, to date, there is a gap in the literature concerning empirical research studies in Libya. In this sense, there is justification, as discussed in previous studies, for using the extended version of the SERVQUAL model, reflecting the Libyan banking industry's particular cultural and social characteristics.
4. It is worth noting that, whilst the literature review has yielded useful and interesting insight by contributing to the development of a conceptual framework for the study, its real influence and benefit to the banking sector in Libya must be considered fully. It is, therefore, anticipated that this current study will be of use to bank managers and executives in charge of development and will enhance service quality provision in Libyan commercial banks.

3.16 Summary

This chapter critically reviewed the relevant research studies and literature representing the foundation for an understanding of service quality. It has demonstrated that the literature available on this subject covers the nature of service, the general concept of quality and service quality, the importance of service quality, and the relationship between service quality and customer satisfaction. Moreover, this chapter considered the conceptualisation of service quality by focusing on dimensions and models of service quality, leading to the introduction of the SERVQUAL model as the method intended for use in this research with regard to the extent of perceptions of service quality amongst Libyan customers.

Also Service quality in banking has been considered in this chapter whereby a number of studies on service quality in the banking sector, in both developed and developing countries have been examined and evaluated. The literature on the SERVQUAL model has, in this chapter, been highlighted as the dominant tool of analysis adopted in a large majority of such studies. The overall findings derived from these studies tend to point to the lack of research in the application of these models in developing economies. Consequently, throughout this chapter, it has been demonstrated that this current study will employ the SERVQUAL scale, and will therefore be one of the first of such investigations into the Libyan banking sector.

Chapter 4 : RESEARCH METHODOLOGY

4.1 Introduction:

The overall aim of this chapter is to examine and provide a rationale for the choice of research design and philosophy adopted throughout this research, and to also describe the processes utilised when gathering and subsequently analysing the data. Moreover, this chapter will attempt to focus its attention on the methodology applied throughout the research, primarily concerned with an examination of banking service quality in relation to perceptions and expectations. In order to do so, the chapter is divided into nine main sections. Section 5.2, offers the main aim and objectives of the study. Section 5.3 offers an overview of the process of choosing an appropriate research philosophy. In section 5.4, the different methodological implications of research philosophy on how social science should be conducted. In section 5.5, the research strategy is discussed, including research design and the time dimension Section 5.6, presents methods of data collection, whilst section 5.7, offers limitations to the research study. Section 5.8, discusses ethical issues and, finally in Section 5.9, there is a summary and conclusion of this chapter.

Methodology refers to “how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted” (Saunders et al., 2007, p.481). On the same point, Crotty (2005, p. 3) refers to methodology to mean “the strategy, plan of action, processor design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes”. Mingers & Brocklesby (1997) stated that a methodology is a set of guidelines which assist researchers to undertake their studies. It is concerned with the general process of the study, ranging from the general theoretical foundation to data gathering and analysis (Collis & Hussey, 2003).

Saunders et al. (2009) presented the stages of the research process as layers (i.e. levels) of a research process “onion”, and therefore, the research process involves unfolding the layers of this onion one after the other, starting with the research philosophy, research approach, research strategy, research time horizon, and data collection methods. Accordingly, it is recognised that, when selecting the methodology, investigators should take care to ensure the approach chosen is the most suitable in

consideration of the research questions and objectives, which notably affect the choice of approach and design.

The following sections aim to explain and justify this methodology and the selection of the different aspects related to it. Most importantly, for research in many fields, clearly defined aims and objectives are considered major cornerstones for the selection and development of the most appropriate aspects of the research process. The research aims and objectives guide many of the significant choices through the course of the research project (Partington, 2002; and Saunders et al., 2000). Therefore, in this research, the selection of all aspects relating to the research process was made in terms of the research aim and objectives.

4.2 Research Aim and Objectives

As highlighted above, the methodology considers the general approach to the study, from the theoretical foundation through to data gathering and subsequent analysis (Collis & Hussey, 2003). In order to ensure high study reliability, it is fundamental that there is clarity surrounding the ways in which the research is conducted, which is achieved through providing a good description of the methodology applied. Notably, should a flawed methodology be implemented, the conclusions drawn may be unreliable. Accordingly, it is recognised that the methodology selected must relate to the research objectives.

The main aim of conducting this research, therefore, is to examine and compare expectations and perceptions of customers and bankers regarding service quality provided by the commercial public and private banks in Libya. In order to achieve this aim, four main objectives are set, as follows:

1. To examine customer`s expectation of service quality between Libyan commercial public and private banks.
2. To assess customers' perceptions of service quality between Libyan commercial public and private banks.
3. To analyse differences in customers' expectations and perceptions' of service quality between Libyan commercial public and private banks.

4. To assess employees perceptions of customers' expectations and actual customers' expectations in both Libyan commercial public and private banks.

In short, the four objectives are designed to examine and evaluate the banking service quality from all angles, hence providing a comprehensive analysis of the banking service in Libya.

4.3 Research hypothesis

On the basis of the research questions and objectives, the research aims to test the following hypotheses – null and alternative.

Null Hypothesis (H₀₁): There are no significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a1}): There are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₂): There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a2}): There are significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₃): There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a3}): There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₄): There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

Alternative Hypothesis (H_{a4}): There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

4.4 The Research Philosophy

According to Healy and Perry (2000), a scientific research paradigm is an overall conceptual framework within which researchers work. More widely, a paradigm is a world view, or as defined by Fossey et al. (2002:718) "a set of linked assumptions about the world which is shared by a community of scientists investigating the world".

The choice of research philosophy is one of the most fundamental of considerations to be taken into account by the researcher when seeking to answer the research objective (Collis & Hussey, 2009). This is further emphasised by Easterby-Smith et al. (2002) who suggested that the study philosophy is not only valuable and beneficial, but also very important owing to a number of different factors: (i) it helps to determine the study design; (ii) it is able to provide the scholar with the ability to establish the most appropriate study design; and (iii) it can aid the investigator in determining and subsequently creating a study design outside the researcher's prior experience.

According to the literature, there are two main research philosophies or paradigms dominant in the research context, namely, positivism and interpretive/phenomenological (Creswell, 1994; Hussey & Hussey, 1997; Easterby-Smith et al., 2002; Baker, 2003; Remenyi et al., 2003; Mangan et al. 2004; Malhotra & Birks, 2007; Mallet, 2007). Philosophy is a critical issue as it shapes the way in which the whole research is designed and knowledge is gained and the researcher should follow the right philosophy from the beginning of the research (Saunders et al, 2007). The research could be positivist which is connected to quantitative research or it could be interpretive which usually involves qualitative research or it could be a mixture of types (Riege, 2003; Johnson & Onwuegbuzie, 2004; Mangan et al, 2004).

Collis & Hussey (2003) define positivism paradigms as "*a paradigm that originated in the natural sciences it rests on the assumption that social reality is singular and objective, and is not affected by the act of investigating it. The research involves a deductive process with a view to providing explanatory theories to understand social phenomena*".

Positivism assumes "*an observable social reality*" that is examined by means of quantifiable measures that aim to draw conclusions which can be generalized (Juma'h, 2006). In this type of research, the researcher takes a position as an outsider who is not affected by and does not affect the subject under study (Remenyi et al, 2005). In short,

positivism is a paradigm to the creation of knowledge through research that places its emphasis on the model of natural science, based on a chain of causality (Noor, 2008).

The fundamental idea of positivism is that the social world exists externally, and that its characteristics have to be measured by using objective methods rather than being inferred subjectively by using observation or intuition (Stiles, 2003; Easterby-Smith et al., 2008;). According to Collis & Hussey (2003), this philosophy is characterised by five distinguishing features: it is deductive (theory tested by observation); it seeks to explain causal relationships between variables; it frequently utilises quantitative data; it employs controls to allow the testing of hypotheses; it uses a structured methodology to facilitate replication.

On the other hand, the interpretivism philosophy is *“a paradigm that emerged in response to criticisms of positivism it rests on the assumption that social reality is in our minds and is subjective and multiple. Therefore, is affected by the act of investigating it”*. The research involves an inductive process with a view to providing interpretive understanding of social phenomena within a particular context (Collis & Hussey, 2003).

An interpretive approach places less weight on generalisability (Saunders et al, 2003). It usually involves describing, understanding and making interpretations. In this case, the researcher is not regarded as being independent of the research subjects (Remenyi et al, 2005). In other words, a phenomenological paradigm focuses on the meanings that the research subject attaches to social phenomena (Al-Khattab, 2011). In investigating a phenomenon, the positivist approach takes an ontological assumption of ‘reality’ as being external and objective (Easterby-Smith et al., 2002). It assumes that a given phenomenon will happen regardless of who is observing and interpreting it. On the other hand, the phenomenological paradigm is that of human belief and activity and focuses on the meaning, rather than the measurement, of social phenomena. It does not consider ‘reality’ as those involved. Phenomenological researchers attempt to understand what is happening and why. This involves focusing on the way (why and how) people view different experiences, rather than searching for external causes and fundamental laws to explain their behaviour (Leedy & Ormrod, 2005).

These two approaches are sometimes explained by different terms. For example, the “positivistic” approach can be termed as “quantitative”, “objectivist”, “scientific”,

“experimentalist”, “traditionalist”, or “empiricist”, whilst the phenomenological approach can be termed as “qualitative”, “subjectivist”, “humanistic”, “interpretivist” or “post-positivistic” (Saunders et al, 2005). The terms that relate to each approach are not necessarily interchangeable and, in many cases, have arisen as a result of the author wishing to take a different approach. In the light of the nature of the research questions, the paradigm deployed here should be one of a mixed approach, sometimes referred to as triangulation, in which data and other information is collected by conducting a survey and a series of interviews. Whilst the interviews form the qualitative aspect of the research, the data derived from the use of the questionnaire forms the quantitative part of the methodology.

Due to avoiding generalisations of the researchers view in terms of aiming to capture the complexity of social situations, the researcher therefore combined both approaches that were suitable for the research. Also the researcher adopted a positivist philosophy in order to use an existing theory to develop the hypothesis which will be tested and confirmed within the framework of service quality in the Libyan banking industry. Hypotheses will be developed from an assessment of the literature review created from research gathered from secondary sources like text books and academic journals.

Secondly, the researcher adopted the interpretivism philosophy based on the fact that he is seeking to understand the differences that exist between humans and their world from their point of view. The adoption of this paradigm affected the literature search, research strategy, research nature, research design and limitations.

The mixed approach (positivism and phenomenology) seems to be appropriate in this study for certain reasons.

1. As this research focuses on an instrument devised by the North American School (SERVQUAL) to measure service quality in an Arabic context, it is logical to follow the same paradigm as the school in order to ensure good results by the adoption of this model.
2. Previous studies in a similar area have utilised the same method as an appropriate method of achieving the required objectives (e. g. Al Khatib & Gharaibeh, 1998;

Joseph, McClure & Joseph, 1999; Sathye, 1999; Abdelaziz, 2001; Jamal & Naser, 2002; Jabnoun & Al- Tamimi, 2003; Yavas et al., 2004).

3. The third reason lies behind the issue of generalisation of the results. Saunders et al (2007) argued that “in order to be able to generalise statistically about regularities in human social behaviour it is necessary to select a sample of sufficient numerical size”. In this study, the quantitative method of survey was considered as the research strategy (design) for data collection. A survey strategy (design) is one of the most appropriate methods employed in marketing and social research for collecting data from a large sample, allowing researchers to generalise their results into the study's population. This study has a sufficient sample size (N=400) which will help in generalising the results in the Libyan context.
4. A mixed approach allows the researcher to use a variety of research tools such as interviews and a questionnaire, permitting the build-up of an overall picture about the subject. They should enable an in-depth view of the Libyan banking phenomenon.
5. A mixed approach is a very useful tool for investigating why and how the decisions in the Libyan banking system are made in addition to pursuing the reasons behind several other aspects of behaviour in the sector.
6. As the financial and banking field in Libya suffers from a paucity of published information and a deluge of banking regulations, the approach can help explain some contemporary Libyan banking attitudes and financial situations. It was the researcher's intention to achieve this by interviewing responsible, skilled, experienced and informed people involved in the industry.
7. A mixed approach can be an appropriate tool for highlighting the most important obstacles that are hindering the Libyan banking sector from achieving its rehabilitation goals and to explore the possibility of providing service quality in Libya commercial bank. Table 4.1 gives a summary of the main characteristics of the two paradigms.
8. In reality there are very few pure quantitative or qualitative research projects, which adopt one single paradigm and use its implications. Most researchers use a

combination of both paradigms (Easterby-Smith et al., 2002; Creswell, 2003). The rationale for this combination is that each philosophy or paradigm has strengths and weaknesses, therefore employing a mixture of paradigms would maximise the advantages and minimise the disadvantages of each one.

Table 4-1 Features of the positivism and phenomenological paradigms.

Positivism approach	Phenomenological approach
Tends to produce quantitative data	Tends to produce qualitative data
Uses large sample	Uses small sample
Concerned with hypothesis testing	Concerned with generating theories
Data is highly specific and precise	Data is rich and subjective
The location is artificial	The location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high
Generalises from sample to population	Generalises from one setting to another

Source: Collis & Hussey, (2003) and Amaratunga et al., (2002)

Each approach has its own strengths and weaknesses which have been highlighted in several studies (Amaratunga et al., 2002). For example, in exploring the consumer adoption of internet payment systems, Mallet (2007) highlighted the use of the phenomenological paradigm primarily due to a lack of published data, and hence resorted to interpreting findings from a series of focus group interviews. Similarly, the approach taken by Ang (2010) in his study of private banking challenges in Asia has lent itself to the use of interviews and case studies. Due to the lack of a rigorous theoretical framework, Tihanyi & Hegarty (2007) resorted to the phenomenological approach in their study of commercial banks in East Europe. On the basis of this analysis, table 4.2 offers a short summary of the weaknesses and strengths of each paradigm.

Table 4-2 the strengths and weaknesses of research philosophies

Strengths	Weaknesses
<i>Positivist</i>	
Have a wider range of situations; faster and more economic than phenomenological approaches.	Inflexible and artificial in understanding processes or the significance that people attach to actions, they are not helpful in generating theories
<i>Phenomenological</i>	
Data gathering methods are seen as natural rather than artificial Ability to look at change process over time Ability to understand people`s meaning Ability to adjust to new issues and ideas as they emerge Contribute to theory generation	Time-consuming Costly Difficulty in analysing and interpreting data Data collection can be tedious and require more resources Policy makers may give low credibility to results from qualitative approach

Source: Amaratunga et al., (2002, P.20)

On the other hand, in an examination of risk management by corporate managers in Jordan, Al-Khattab (2011) conducted a survey using a questionnaire to collect quantitative data, promoting the idea of a positivist approach in the area of risk management. Similarly, on examination of the possible adoption of e-banking in Bangladesh, Hassan et al (2010) maintained a positivist approach by constructing and distributing a questionnaire to approximately 150 bank customers. Their findings based on a use of cost-benefit analysis, indicated that there is a limited willingness in the use of internet banking primarily due to lack of trust in the banking system. Likewise, based on a positivist approach, the study by Laukkanen et al (2008) on consumer resistance to internet banking in Finland reported similar but slightly differentiated views of participants in their research.

In relation to defining the two methodological approaches, A Quantitative approach is carried out with the use of objective, numerical data, comprising a theory, which is tested, measured with figures, and subsequently analysed with the use of statistical tools (Creswel, 1994; Dachler, 1997; Hussey & Hussey, 1997). Saunders et al., (2009) argued that most research uses some numerical data in helping to answer research

questions. The quantitative approach focuses on analysis of relationships between certain variables and the measurement of variables or counting occurrences of a phenomenon (Van Maanen, 1979; Collis & Hussey, 2003; Ang, 2010). Overall, it is stated by Saunders et al., (2009), that quantitative studies are considered to be most appropriate in the case of scientific approaches, including:

- Collection of empirical data;
- Evaluation of results;
- Experimental control and manipulation of variables;
- Modelling and analysis of data;
- The development of instruments and methods for measurement;
- The generation of a model, theories and hypotheses.

On the other hand, qualitative studies direct attention to subjective, non-numerical data, with such research studies investigating and reviewing various stances in an attempt to achieve a good understanding of both human and social beliefs (Cochran & Dolan, 1984; Carson & Coviello, 1996; Poggenpoel et al., 2001). Moreover, this particular approach seeks to achieve in-depth, rich data as opposed to making numerical generalisations. This is achieved by directing attention to phenomena related experiences and meaning. With this in mind, the experiences and skills of the investigator play a key role in the gathering, analysis and interpretation of data; this is attained through observing the actions and statement of people (Creswell, 2007).

Furthermore, there has been much discussion surrounding the selection of study methods, with such decisions made with regard to qualitative and quantitative methods. Hussey & Hussey (1997) pointed out that the important distinction to be made between these approaches is that the former does not necessitate measurement whilst the latter does. It is further noted by Lee (1992) that whilst qualitative is subjective, quantitative is objective. Based on this debate, the rationale behind choosing a multi method approach to research is now given.

1. The choice of multi-methods of data collection enables triangulation to take place (Leedy & Ormrod, 2005). Triangulation, as defined by Saunders et al. (2007), is “the use of two or more independent sources of data or data collection methods within one study in order to help ensure that data are telling you what you think they are telling you”.

2. Different methods can be used for different purposes in a study (Hair et al., 2005) As a consequence; the choice of multi-method data collection follows directly from the research questions which are also consistent with the research approach and strategy.
3. Describing the service quality in Libyan banks requires a questionnaire, whilst understanding practices requires flexible personal interviews with a limited number of respondents.
4. Use of the multi-method (questionnaires and interviews) in this research is due to the lack of availability of high-quality published databases, which might constitute a major barrier to conducting a study of service quality in Libyan commercial banks within the Libyan economy.

4.4.1 Justification for the research philosophy

The choice of research methodology in social research has become a debated and problematic issue because it depends on the research questions, objectives and research philosophy; neither approach is appropriate or inappropriate in itself until it is applied to a specific problem. In line with the objectives of the study, presented earlier, the following points represent the justification of the research philosophy used in this study.

1. The combination of questionnaire survey and use of relevant quantitative techniques can make a significant contribution to clarifying and comprehending the economic reform in terms of the banking sector in Libya.
2. In measuring the extent of a relationship between service quality and satisfaction, a quantitative approach needs to be utilised.
3. Analysis based on a comparison between expectations and perceptions can be dealt with through both quantitative and qualitative approaches, since they are derived from questionnaires or interviews.
4. This mixed approach has been used by other Arab researchers who have made progress through various studies in contributing to the literature relating to business and management in Arab cultures (e.g. Abdalla & Al-Homoud, 1995; Agnaia, 1996; Albahussain, 2000; Al-Athem, 2000). These researchers found that a multi-method approach combining questionnaires and interviews is the most popular and acceptable research method in Arab environments. This is because the feedbacks from interviews can enhance and support the findings from the

questionnaire. As this research was conducted in Libya, application of the same research design employed by other Arab researchers strengthened the study's consistency, validity and reliability.

5. The nature of the research questions and objectives is such that many subjective variables are involved which needed to be investigated and measured by both quantitative and qualitative measures. Statistical analysis of the quantitative data collected allowed for comparisons and generalisations to be relative and accurate, while qualitative data provide a forum for elaboration, explanation and description of events, actions, attitudes, and behaviour of the subjects being investigated (Bryman, 1993).

4.5 The research approach

There are two general approaches to conducting research work, the deductive approach and the inductive approach (Mangan, 2004; Saunders *et al.*, 2007). These methods are able to give an indication of the overall nature of the link between the research and its underpinning theory (Bryman, 2004; Collis & Hussey, 2003). In the view of Saunders *et al.* (2003), it is also acknowledged that both of these approaches are linked with a number of different philosophies, i.e. deductive is related to positivism, and inductive to phenomenology.

According to the deductive approach, researchers deduce their studies' hypotheses based on known facts (theories), translate them into operational terms and test them in empirical ways through the use of statistical methods (Bryman, 2004, Saunders *et al.*, 2007). The inductive approach, on the other hand, commences from a set of observations to build a theory. In this regard, a theory is introduced by making a number of general suggestions concerning what has been observed during a particular timescale, and their nature (Anderson, 2004).

In this instance, the theory and the problem derived from it come first and this leads to the process of collecting data. The deductive approach is based on a research problem emanating from existing theories. The theory used here comes from the SERVQUAL model which measures the gap between expected service and perceived service and the research problem is to establish if it is applicable for measuring service quality in the Libyan banking sector. By using this model, data can be collected as regards

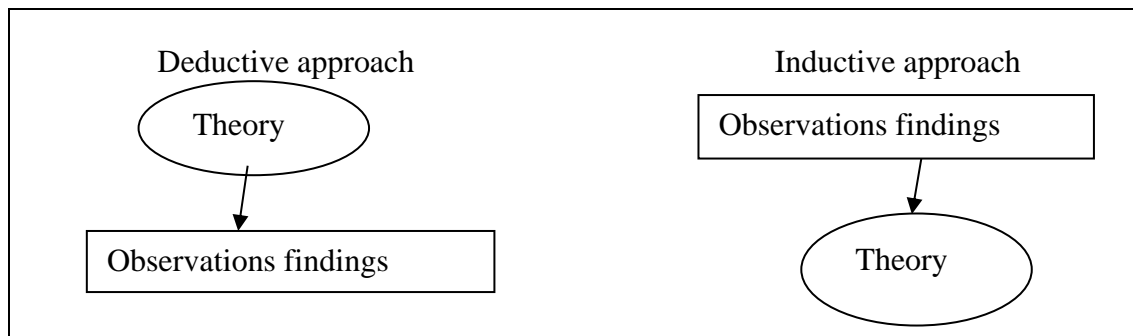
the expectations and perceptions of consumers, providing the researcher with the information to the research questions on how consumers perceive service quality and what dimensions consumers are satisfied with.

The SERVQUAL model is used as main concept to assess service quality and customer satisfaction. This means that customer satisfaction can be measured using the various service quality dimensions. This is because it is important to be aware of how customers perceive service quality in grocery stores and the factors that affect these perceptions. The SERVQUAL model has apparently not been used to measure service quality and customer satisfaction in the Libyan banking sector and this current research is seeking to close this research gap. This will also enable assessment of the applicability of the SERVQUAL model in this context and identification of what dimensions of service quality customers in Libyan commercial banks would be satisfied with, from the established dimensions given by Parasuraman et al., (1988).

Therefore, deductive research starts with the existing theories and concepts, and formulates hypotheses that are later tested with the help of empirical data. On the other hand, inductive research starts with the empirical data, and the result is the emergence of concepts, models, and eventually theories (Gummesson, 2000). Furthermore, it is also recognised that the deductive approach is built on the meaning established from the data analysis through rational generalisation of a known fact; on the other hand, when conducting an inductive approach, emphasis is instead directed towards general suggestions in consideration of known facts (Sekaran, 2003).

Moreover, the deductive approach involves moving from the general (theoretical position) to the specific (inquiry of the research), and the inductive approach involves moving from the specific to the general (Collis & Hussey, 2009). Figure 4.1 shows the two approaches to the relationship between theory and research.

Figure 4-1 Deductive and inductive approaches to the relationship between theory and research



Source: Bryaman, (2004, p. 10)

Applying a quantitative framework commonly results in the application of a deductive method in addition to various study methodologies, including cross-sectional, longitudinal surveys. On the other hand, applying a qualitative framework commonly results in the application of an inductive method, such as through the utilisation of case studies. Creswell (2003) suggested three practical criteria in choosing a research approach: a) the nature of the research topic, b) the available time the researcher has and c) the extent to which the researcher is prepared to indulge risk.

This research was mainly deductive despite being based on triangulation methods of primary data collection. The rationale of this choice was for the following reasons.

1. Although the non-return of questionnaires can be a potential risk associated with this approach, deduction offers a relatively low risk. This is because the deductive approach is based on a tried and tested theory. By contrast, induction is a more risky approach since there is fear of not obtaining useful data patterns and, thus, a theory would not appear (Cooper and Schindler, 2003).
2. This research attempts to generalize the findings in order to represent the entire population. This makes the choice of the deductive approach most appropriate since deduction aims to generalize findings from sample to population, whilst the inductive approach aims to generate theory or investigate new ideas (Saunders et al., 2007).

4.6 Research strategy

The main criterion for choosing a particular strategy is the approach adopted in undertaking the research (Creswell, 1998) which, in turn, depends on research objectives. According to Collis & Hussey (2003), adopting the deductive approach leads the researcher to employ experimental or survey strategies. By contrast, adopting an inductive approach leads the researcher to employ the strategies of case study, grounded theory and action research.

As Saunders et al., (2007) stated, the research strategy is the general plan that enables the researcher to answer the research questions. Saunders et al. classified research strategies into six categories: experiment; survey; case study; grounded theory; ethnography, and action research.

Hair et al (2003) identified the survey as a strategy used to collect primary data from individuals. The data can range from beliefs, opinions, attitudes and lifestyles to general background information on individuals, such as gender, age, education and income, as well as company characteristics like revenue and number of employees (Hair et al 2003). The rationale of this survey choice was for the following reasons:

1. The survey method is usually associated with the deductive approach and the most popular and commonly strategy in business studies or management research most popular and (Saunders et al., 2007).
2. The research topic, linked to a wealth of literature, helps develop a theoretical framework and hypotheses leading to the adoption of the deductive (quantitative) approach, whereas, when the research topic is new with scant existing literature, it may be more appropriate to generate data and analysis thoroughly to formulate a theory (inductive qualitative approach) (Creswell, 2003).
3. This is the most appropriate survey strategy when data must be collected from a sizeable sample of the population at a particular time (Leedy & Ormrod, 2005). This is because a large sample size leads to unbiased estimates for the model under investigation.
4. A sample of the findings from the survey can be generalised in order to understand the population better. This makes the choice of the deductive approach most appropriate since deduction aims to generalize findings from sample to population,

while the inductive approach aims to generate theory or investigate new ideas (Saunders et al., 2007).

5. Generalisation: survey-based research (quantitative approach) seeks to identify relationships that are common across organisations and, therefore, provides a general statement upon, or a theory about, the phenomenon being researched (Bryman, 1993 and Eldabi et al., 2002).

This study can be classified as descriptive in nature as it attempts to build assessments of service quality profiles of customers based on the bank they principally use and their demographic characteristics, and as one involving hypothesis testing, in which relationships between certain variables are to be verified and phenomenological strategies are not appropriate.

4.6.1 Research Design

When considering the methodology of the study, the researcher must understand the link between the various concepts that play a key role in the methodology preparation, including the research design, method and methodology (Easterby-Smith et al., 2002; Tahir & Bakar, 2007).

The research design can be viewed as a combination of the art and science involved in the planning processes for carrying out the study in an attempt to garner the most conclusive outcome (Kumar, 1999; Churchill & Brown, 2004; Saunders et al., 2009). Decisions made as to the formulation of the research design is highly crucial here, as it has a significant impact on the entire study, owing to the fact that it delivers a detailed overview of how the study should be guided and the areas on which it should direct emphasis (Oppenheim, 2000; Collis & Hussey, 2009). Moreover, establishing the study design means a detailed plan is created, which aids the scholars in overcoming any obstacles associated with the study. Furthermore, it creates a plan which highlights how the research objectives can be achieved, as highlighted by Hussey & Hussey (1997) and Saunders et al. (2009).

Furthermore, the definition of the research program is an important issue to determine the purpose of the research that in turn forms the basis for the research design (Zikmund, 2003). Ensuring an understanding of this concept helps establish the study design, and also aids the investigator in determining and choosing the most appropriate

design for the study in question (Easterby-Smith et al., 2002). A research design is the plan that guides the researcher in the process of collecting, analysing and interpreting observations (Stiles, 2003). Moreover, it is noted by Creswell (2003) that an investigator should select the study design during the initial phases of the study, owing to the fact that the design is able to establish a number of other important elements, including the methodology, data collection methods, and data analysis techniques. By contrast, however, Hussey & Hussey (1997) highlighted that the research design process should be reviewed in order to not only establish the study problem, but also to create a theoretical structure, establish the aim and study questions, select the most appropriate methodology, predict the results, and give consideration to study limitations.

It is generally acknowledged that the study methodology is one of the most critical of tools when conducting research, and comprises a number of guidelines and rules which merge a number of different study measurements and procedures, including designing questionnaires and choosing the statistical techniques to be applied (Kumar, 1999; Ghauri & Gronhaug, 2005; Saunders et al., 2009). Accordingly, it is understood that the investigator needs to be precise when selecting the methodology to be utilised.

As has been highlighted by Saunders et al. (2009), there is some confusion surrounding the link between concepts, methods and methodologies, as these terms can be used interchangeably. Wilson, (2002) indicates that methodology is a prior method as fundamentally it provides the philosophical groundwork for methods. Saunders et al., (2009) on the other hand, stated that methodology refers to the theory of how research should be carried out. It is the philosophical basis of the method and deals with the philosophical assumptions underpinning the research process, whilst a method is used to refer to techniques and procedures for data collection and analysis under these philosophical assumptions. Moreover, it is noted by Collis & Hussey (2009) that there should be some distinction made between the concepts of method and methodology, consequently highlighting that the latter refers to the general approach for the study, whilst the former considers the techniques applied for the collection and analysis of information. This accordingly comprises interviews and questionnaires, in addition to techniques of both a qualitative and quantitative nature. This study aimed to use all the above means of data collection and methods of investigation.

Gaining an understanding of the philosophical concerns relating to the design of the study is fundamental for three key reasons. Firstly, awareness of the research design philosophy may provide the investigator with the opportunity to further verify the design of the study, which provides a number of valuable insights concerning the questions posed during the course of the study. Secondly, understanding knowledge of research design philosophy can also aid the researcher in establishing which design is most appropriate for the research in question. For instance, if the investigator is seeking to establish why an event has occurred as opposed to describing the event, it would then be more suitable to opt for an inductive rather than deductive approach. Thirdly, gaining an understanding in this area can also help the researcher to establish, and even introduce a research design not common or well known to the investigator (Mallet, 2007).

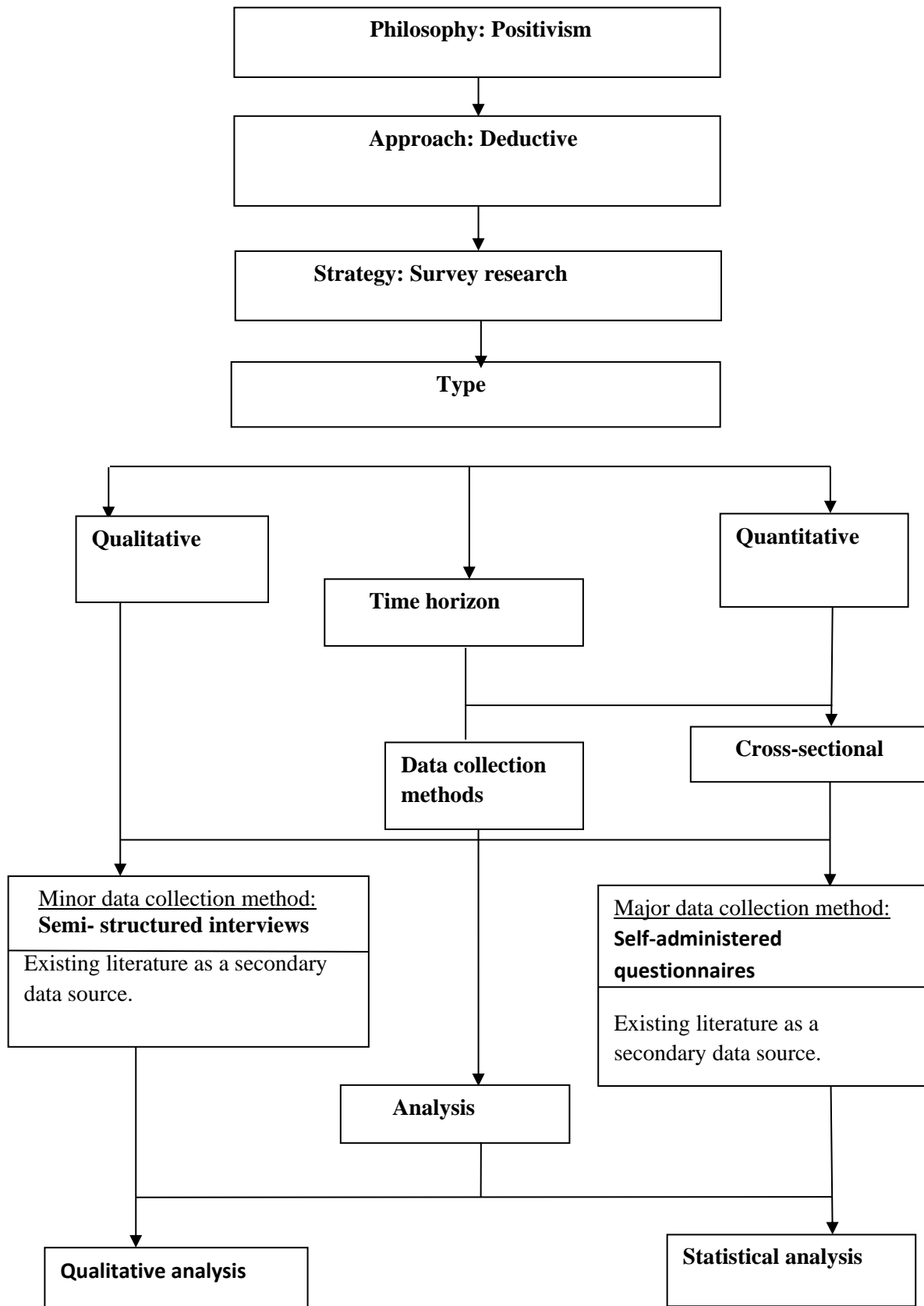
It is noted by Saunders et al. (2007) that it is fundamental that the researcher ensures the selection of a clear study design, which will subsequently aid the researcher in ensuring the study questions are answered. With this in mind, it is recognised that the study approach should comprise clear objectives created in such a way as to facilitate the answering of the research questions.

It has been stated by Sekaran (2003) that the study design comprises a number of different choices, including the research purpose; the nature of the research, i.e. whether it is concerned with testing hypotheses or is exploratory or descriptive; establishing the type of study; determining the degree of researcher involvement; establishing the research environment; choosing the relevant measures and measurements; establishing the data analysis approach; data collection methods; time horizon and design sample; as well as identification of the unit of analysis.

On the basis of what is discussed above, the research relies on the development of a questionnaire to be completed by customers and employees of the banks; and a series of semi-structured interviews, proceeding with the use of appropriate methods of investigation. In short, the design of the research is that of a survey, for which the data and other information is collected by means of questionnaire and interviews.

Figure 4.2 represents a summary of the research methodology, encompassing the philosophy, approach, strategy and method of investigation.

Figure 4-2 The research methodology.



4.6.2 Research time dimension

Regarding the time horizon, a distinction is made between two kinds of research: longitudinal and cross-sectional. Whilst longitudinal research is concerned with the identification of changes over time (Remenyi et al, 2005), cross-sectional research is one that produces a 'snapshot' of a population at a particular point in time. The choice of which one is to be undertaken is influenced by three factors; purpose of research, research strategy (Churchill, 2001) and time available for the researcher (Saunders et al., 2003). This research is defined as a cross-sectional research. Taking these factors into account, a cross-sectional research was chosen for this research, for the following reasons:

- 1) Budget and time constraints while conducting longitudinal research create the need for cross-sectional analysis, especially when undertaking research for the purpose of academic programs, such as Master and Doctoral degrees which are usually limited in time and budget (Cooper & Schindler, 2003; Saunders et al., 2000).
- 2) Cross-sectional studies usually serve the purpose of descriptive studies that aim to describe a detailed picture of an existing issue, or to provide a description of business elements at a given point in time (Saunders et al., 2007; Hair et al., 2003).
- 3) Cross-sectional studies are usually employed when the survey strategy is used on a nationwide scale (Hair et al., 2003; and Easterby-Smith et al., 2002). Therefore, they are also known as social survey design (Bryman & Bell, 2007). This type of study helps to explain how different factors relate in different organizations from a sizable population at a particular time, which in turn, helps to achieve the research objectives (Saunders et al., 2000).

Moreover, in so far as this study is concerned, the cross-sectional approach is highly suitable as it is extremely difficult to administer questionnaires with the intention of tracing back the same respondents over time. Similarly, interviewees may not be traced again over time.

4.7 Data Resources and Data Collection Methods

Methods of data gathering are a fundamental consideration when taking into account study design. The appropriate selection of data collection methods enables the researchers to achieve the objectives of the study. This is further explained by Saunders et al., (2009), who stated that, during the stage of data collection, there are two key methods: primary

and secondary. In this regard, it is noted that primary data is new data which is gathered by the researcher in consideration of the study aim; such information is commonly garnered through the use of experiments, interviews, observations and questionnaires (Eldabi et al., 2002; Hox and Boeije, 2005). On the other hand, secondary data is data which is old and has been gathered by someone else with another aim (Hox & Boeije, 2005). It is further noted by Sekaran (2003) that qualitative methods may include focus groups and interviews, quantitative may include questionnaires, structured interviews and telephone surveys. According to Eldabi et al., (2002) the most appropriate methods used in measuring service quality research are surveys and case studies.

Notably, when investigators seek to establish a deeper understanding of the research field, the case study approach is applied. This term is noted by Yin, (2009) as being an empirical inquiry which seeks to analyse and establish contemporary phenomenon from a realistic standpoint, particularly when limitations between the context and the phenomenon in question are lacking clarity. Moreover, it is also recognised that case studies are the main approach in qualitative methods in the context of industrial marketing (Easterby-Smith et al, 2002; Piekkari et al., 2010).

The survey approach is also commonly utilised in a number of different research areas, including business, management and marketing, as emphasised by Saunders *et al.* (2009), and is commonly linked with the deductive method. It is viewed as being very effective, and enables the researcher to gather large quantities of data from large target samples in an efficient way (Leedy & Ormrod 2001). In the view of Bryman (1995), the survey approach can be carried out in consideration of three different situations:

- When the study goal requires quantitative data to be gathered; in this case this refers to the data to be collected from the questionnaire.
- Where the data needing to be gathered is moderately specific and known to the target sample. For this research it refers to participants who are both the banks customers and banks employees.
- When the researcher has in-depth awareness of the issues at hand, as well as the likely responses to be gathered. This in-depth awareness refers to the environment in which information is to be collected.

Furthermore, it is also recognised that, when the objective of the research is to gather responses to questions of a ‘what?’, ‘where?’ and ‘how many?’ nature, the survey

questionnaire approach provides a good means of achieving such answers (Bryman, 1995; Mangan, 2004).

Questionnaires, observations and interviews are the three main data collection methods used in survey research (Bryman, 1995). They can be utilised for the purpose of testing hypotheses and providing descriptions and explanations (Remenyi & Williams *et al.*, 1998). However, interviews and questionnaires are utilised most commonly through surveys (Easterby-Smith *et al.*, 2002). Accordingly, both of these methods are discussed in further detail in the subsequent sections.

It is recommended by Malhotra & Birks (2006) that research should make use of both primary and secondary data, and also apply both qualitative and quantitative approaches. It is further emphasised by Saunders *et al.* (2003) that a combined approach should be utilised, with the scholars arguing that ‘rigid divisions between the two approaches to research is misleading’. They further highlighted that, ‘not only is it perfectly possible to combine approaches within the same piece of research, but in our experience it is often advantageous to do so’. With this in mind, it was therefore decided that, for this study, both primary and data gathering techniques would be applied, thereby adopting a multi-method approach, in an attempt to achieve the study objectives.

As emphasised by Mangan, (2004), various methods can be applied for different reasons, which means that the multi-method data collection approach is in line with the objectives, which are also coherent with the approach and strategy of this study.

Triangulation can be conducted when applying a multi-method approach (Easterby-Smith *et al.*, 2002). It is a research strategy whereby several techniques are employed to provide validation of data or the results of analysis. In this research project, triangulation is achieved through the use of primary methods: questionnaires and semi-structured interviews and secondary methods: of literature review and the soliciting of expert opinion.

Triangulation can also be used to enhance the effectiveness of research methods. Bryman, (2004) suggests that triangulation can be understood as it combines different methodological techniques to overcome weaknesses in specific techniques. Traditional methods based on the positivism paradigm do not necessarily yield the result that the researcher expects or wants. Human beings are not static, and research methods used

should therefore be able to accommodate social interaction and dynamism (Bryman, 1988).

It is stated by Kerlinger (1986) that the selection of a data collection tool should be made on the basis of the study problem under examination. In so doing, different study approaches were used, i.e. both quantitative and qualitative. With regard to the latter, a cross-sectional approach was viewed as being suitable, which provided the necessary data.

Finally, the researcher decided to use primary research in the form of, semi-structured interviews, and survey questionnaires. The purpose of these methods of data collection was to ascertain the expectations and perceptions of customers, employees and managers, of the service quality provided by the main players in the Libyan commercial banking industry.

Specifically, a survey questionnaire was used with commercial banks' customers and employees, and semi-structured interviews were used for the commercial banks' managers.

4.7.1 Quantitative Data Collection Methods

The key approaches when seeking to gather quantitative data are mail questionnaires, personal interviews and telephone questionnaires. Notably, the application of online surveys is still not commonplace within Libya owing to the small number of internet users (Hox & Boeije, 2005).

4.7.1.1 Questionnaires

Following the research philosophy justification, discussed earlier, a questionnaire method was utilised with the aim of gaining insight into the views of customers as well as the services provided by Libyan commercial banking institutions in terms of the levels of quality so as to achieve the research objectives. It should be noted that the aim of this study has been to gain insight into and accordingly analyse, the perceptions and expectation of consumers and providers in the context of Libyan commercial banks with regard to the quality provided by such institutions. The researcher gave consideration to the fact that the questionnaire was administered in the premises of the banks themselves, and that respondents would be concerned with conducting the business they had come to the bank for, and therefore the research instrument should be as brief and simple as

possible, while still providing rich and useful data. The five dimensions (i. e. reliability, assurance, responsiveness, empathy and tangibles) were employed to measure service quality relating to customers' perception and customers' expectation of the service actually received. In this specific research, respondents were asked to provide opinions with regard to those dimensions.

Hussey & Hussey (1997) stated that, the use of questionnaires or interviews can facilitate the examination of individuals' perspectives. On the other hand, it is highlighted by Easterby-Smith *et al.* (2002) that 'questionnaire-based surveys should only be used when quantified information is required concerning a specific population'. Moreover, a number of other scholars in this field, namely Oppenheim (2000), Easterby-Smith *et al.* (2002), Sekaran, (2003), and Collis & Hussy (2009) highlighted that questionnaires are viewed as being the most popular approach when seeking to gather people-related data, with questionnaires recognised as a highly valuable aspect of the survey strategy, which has long been acknowledged as playing a key role in conducting studies (Easterby-Smith *et al.*, 2002). Notably, the questionnaire method has been used by a number of different researchers with the objective of measuring overall service quality in a number of different areas, including the banking sector (see for example: Fick & Ritchie, (1991) in the travel and tourism industry; Bouman & Van der Wiele, (1992) in the car service industry; Kong & Mayo, (1993) in the business-to-business context; Lam *et al.*, (1997) in the clubs sector; Mei *et al.*, (1999) in the hospitality industry and Sureshchandar *et al.*, (2002) in the banking industry.

The questionnaire approach is particularly useful when seeking to gather data with regard to the opinions of a large sample group in terms of specific phenomena (Collis & Hussey, 2009). Essentially, the overall aim of questionnaire utilisation is to gather data which cannot otherwise be observed; such information can then be utilised to provide descriptions, analyses, and hypothesis-testing, as advocated by Remenyi & Williams *et al.* (2005) and Saunders *et al.* (2007). Nevertheless, there are various concerns and issues recognised during the implementation of questionnaires, including the need to ensure effective responses, the need for unbiased sampling, and the need to ensure a high response rate. Accordingly, it can be stated that all three of the aforementioned issues are linked with the key advantages and disadvantages of questionnaire utilisation (Oppenheim, 1992). The most valuable benefits associated with this type of method lie in their

efficiency in terms of time-efficient and inexpensive data collection (Sekaran, 2003). Table 4.3 provides an overview of questionnaires used in previous studies, based on banking as related to this research study.

Table 4-3 questionnaire used in previous studies

Authors	Year	Purpose of Study	Research Approach
Goode and Moutinho	1995	Banking/UK	Survey/ Questionnaire
Levesque and McDougall	1996	Retail banking/Canada	Survey/ Questionnaire
Edris and Almahmeed	1997	Banking/Kuwait	Survey/ Questionnaire
Lassar et al	2000	Banking/USA and South America	Survey/ Questionnaire
Abdelaziz	2001	Banking/Egypt	Survey/ Questionnaire
Polatoglu and Ekin	2001	Banking/Turkey	Survey/ Questionnaire
Appiah-Adu et al	2001	Banks and building societies	Survey/ Questionnaire
Jamal and Naser	2002	Retail banking/USA	Survey/ Questionnaire
Jabnoun and Al-Tamimi	2003	Commercial banks/UAE	Survey/ Questionnaire
Yavas et al	2004	Banking/Germany	Survey/ Questionnaire
Akinci et al	2004	Banking/Turkey	Survey/ Questionnaire
Arasli et al.	2005	Greek Cypriot bank	Survey/ Questionnaire
Mengy	2009	Public and private bank of Jammu	Survey/ Questionnaire

Questionnaire preparation required various phases and different drafts. The initial draft was created using English; subsequently this was reviewed and evaluated by the academic supervisor of the researcher. The questionnaire was seen to be quite short. The review highlighted a number of areas for further attention, such as the need to remove some questions whilst adding others.

With regard to the sensitivity of the study, the research reviewed a number of different texts centred on methodology, subsequently encompassing a number of different ideas into the questionnaire design. Moreover, the prior experiences of other academics were also reviewed and considered. As a result, a number of changes were applied, with the second draft similarly reviewed and evaluated by the author and his supervisor. The final draft was approved and then translated into Arabic by an individual very experienced and specialised in such translation. This was considered fundamental owing to the fact that most of the target sample would have experienced issues with responding to the questionnaire had it been produced in English.

4.7.1.2 Administering questionnaires:

A questionnaire can be defined as “a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives” (Sekaran, 2003: p.236). It is suggested by Saunders et al., (2007) that a questionnaire can be classified in terms of the ways in which it is carried out, i.e. interviewer-administered or self-administered. In the case of the former, these may involve telephone questionnaires and structured interviews, which the interviewer may decide should be recorded so as to facilitate data analysis later on in the research process. One drawback of interviewer-administered questionnaires is the difficulty in finding a suitable time for respondents. With regard to the latter, self-administered questionnaires are usually carried out by the target sample, with this type of questionnaire usually distributed and returned via electronic means, such as through the utilisation of internet websites and e-mail. Furthermore, self-administered questionnaires may also be posted to respondents, who subsequently mail the completed documents back to the researcher following completion. In the light of this survey of banks customers in Libya, the study aimed to conduct a self-administered method of data collection, for its efficiency and time-saving features. A potential problem with this method is associated with generally low response rates. The main disadvantage of this method is that respondents control the time of returning their response which reflects on increasing the overall time.

In the view of Oppenheim, (2000), the type of questionnaire to be utilised in securing high response rates is a choice dependent on three different factors: research strategy, the size of sample, and time taken to complete collection. With this in mind alongside the context of this study, it was determined that a self-administered questionnaire was more suitable than interviewer-administered. This decision can be justified by considering the following reasons:

- Interviewer-administered questionnaires are recognised as being far more time-consuming than self-administered. Considering the time limitations with regard to this study, self-administered questionnaires were recognised as being most appropriate.
- Self-administered questionnaires are acknowledged as being able to deliver to a greater degree of freedom when compared with interviewer-administered questionnaires: for example, this type of questionnaire helps to achieve a lesser

extent of interviewer bias (Oppenheim, 2000). On the other hand, it can be argued that the location and the choice of respondents may become limited under this method, leading to serious bias.

According to Saunders et al., (2003), self-administered questionnaires are divided into three types: mail questionnaires, online questionnaires, and personally administered questionnaires. In this study, the personally administered questionnaire method was chosen as the instrument of the empirical survey. This method was suitable in the Libyan context because the mail system is not effective enough to send postal questionnaires to the companies sampled, and use of the internet is still very low. Also, this method gave the researcher the opportunity to explain the study and what was required by the respondents. The reasons for this choice were threefold, as highlighted below:

1. The utilisation of online questionnaires necessitates that the target sample has access to websites and e-mail, which is not given in the case of Libyan banks. Accordingly, the online method was considered not to be suitable for implementation throughout the course of this research.
2. When utilising mail questionnaires, it was recognised that such a method delivers minimal control in terms of achieving respondents' feedback, with also a lack of control over the speed of responses and the time taken for completed questionnaires to be received by the researcher (Hair, 2003).
3. The key benefits associated with the utilisation of personally administered questionnaires included the opportunity to provide respondents with an introduction to the research topic, thereby facilitating honest, accurate answers; a short period of time is all that was required to facilitate the collection of data; there was the opportunity to ensure clarification of any unclear answers, as well as any misunderstanding; and finally, self-administered questionnaires were cost-effective to conduct (Sekaran, 2003).

4.7.1.2.1 Customer questionnaire

The customer questionnaire can be found in (Appendix 1). It consists of three sections in this study. The first section was designed to measure the customers' expectations (E) regarding service quality in the banking industry and the second section is related to customers' perceptions (P) of service quality actually provided by the Libyan banks. The first and second parts of the questionnaire include 22 items of SERVQUAL each of them

measuring one variable. All scale variables are presented on five-point Likert scales in order to achieve diversified results. The questionnaire was designed on the basis of the five dimensions associated with the application of SERVQUAL as follows:

- Reliability. This dimension refers to the ability to perform the service dependably and accurately.
- Responsiveness. This dimension refers to the willingness to help customers and provide prompt service.
- Tangibles. This dimension refers to the physical facilities, equipment, and appearance of personnel.
- Assurance. This dimension refers to employees' knowledge, courtesy and ability to convey trust and confidence.
- Empathy. This dimension refers to the level of caring and individual attention provided to customers.

This is accomplished by utilizing a five point Likert scale varying from (5) strongly agree; (4) agree; (3) neutral; (2) disagree, and (1) strongly disagree. A five-point scale is a 'balanced scale' since the number of positive and negative categories is equal (Hair et al., 2003). They do not need much space and are easy to complete by the respondents. According to Oliver, (1996), a 5-7 point scale is more popular with researchers in view of its ability to minimise skewed responses.

The set of variables (question 1 to 22) refers to customer expectation. The respondents were asked to indicate to what degree the stated aspects of a bank's service quality should be present in a bank. A five-point Likert scale was used in order to identify what customers expect from a banking service. The reason for using a five point Likert scale rather than seven point scale was to reduce the frustration level of respondents and to avoid misleading or confusing them (Buttle, 1996; George and Hazlett, 1997). After that, customer perceptions of the service quality of their particular bank were measured on the same Likert scale (question 1 to 22). Only one customer completed both selections.

The last part of the questionnaire includes 4 questions and aims to establish the demographic and socioeconomic profiles of the respondents. These questions include

information on respondents' sex, age, education, duration of relationship with the bank (See appendix 1). There is no agreement found in previous research regarding placing the personal information at the beginning or at the end of the questionnaire; it is a matter of choice for the researcher. However, some researchers prefer to place such information at the beginning as respondents may have psychologically identified with the questionnaire and feel committed to responding once they have said something about themselves at the beginning (Saunders et al., 2007). On the other hand, it can be argued that if personal questions appear at the end, then the respondents may be more willing to answer. The study has discovered that in a majority of cases the personal information has been placed at the end of questionnaire. Moreover, demographic questions are placed at the end of a questionnaire because they often ask personal information and many people are reluctant to provide this information to strangers (Hair et al., 2008: 174). Other researchers argue that the respondents who start to answer the questions with great interest can, by the end, become less interested. Thus, Oppenheim, (1996) recommends placing the general information which is easy to answer at the end of the questionnaire.

4.7.1.2.2 Bankers' questionnaires (employees)

In the first section of this questionnaire, bankers were asked to indicate their level of agreement with the twenty-two items which were designed to obtain the bank's perceptions concerning customers' service expectations from their bank (see appendix 2). The banker's instrument is scored in the same five-point Likert-type scale. The last part of the questionnaire contains questions that include personal information of the bankers including gender, age, educational level, and duration of employment with the bank.

4.7.1.2.3 The pilot study

A pilot study is a pre-test to a questionnaire prior to the actual collection of data. The importance of pilot tests is to refine the questionnaire to ensure that the questions are understood by the study participants (Oppenheim, 1992) and to establish that there are no problems with the wording, measurement or ambiguity (Sekaran, 2003) and to obtain some assessment of the questions' validity and the likely reliability of the data that will be collected (Saunders et al., 2007: 386).

To maximise the likelihood of the questionnaire fulfilling its intended role and generating meaningful data in a Libyan context, this research took into consideration the

aforementioned suggestions and concluded that the questionnaire used in this research underwent two stages of development prior to the distribution of the final version. During the first stage the first draft was piloted to a number of Libyan students in

Huddersfield University who are already customers of these banks and their perceptions were obtained on the wording, sequence and structure of the questions. The second stage of the pilot study took place in Libya, where a number of questionnaires were distributed to respondent.

4.7.1.3 Research Population and Sample

Hussey & Hussey, (1997:p. 144) defined a population as “a body of people or any other collection of items under consideration for research purposes”. There is a difference between population and the target population. The population is the identifiable total set of elements of the whole population whereas the target population is a small part of the population identified to represent the whole population (Hair r et al., 2000). The current study involved an empirical investigation into the level of service quality from customers and bankers (employee) standpoints provided by Libyan commercial public and private banks. To achieve the aims of the thesis, it was decided to include all Libyan commercial public and private banks, to provide a comprehensive picture of the extent of service quality and to generate a sample large enough to perform meaningful statistical analysis. The research population therefore includes all the Libyan commercial banks as defined by the Libyan Central Bank to include commercial public banks and commercial private banks.

The target population of this study was defined as all employees who work for the Libyan commercial public and private banks, and customers who have used their services.

To measure service quality in these banks by using SERVQUAL, a questionnaire was prepared for distribution to the selected sample. The below table (4.4) shows the population of this study as follows:

Table 4-4 Population of the study (banks)

Bank	Number of Branches	% of total branches
Public bank (4)	333	83
Private bank (7)	68	17
Total	401	100

According to numbers of the public and private banks, there vary considerably between numbers of these banks. Therefore, the study has applied the stratified random sample with 20 % from both banks (66 public and 16 private banks) to determine appropriate size of both public and private banks as showing in the table (4.5 and 4.6) below.

Table 4-5 Sample of the study (Public bank)

Name of bank	Numbers	Percentage%	Sample size
National commercial bank	62	19	13
Gumhuria bank	142	43	28
Sahara bank	53	16	11
Wahda bank	76	22	14
Total	333	100	66

Table 4-6 Sample of the study (Private bank)

Nam of bank	Numbers	Percentage%	Sample size
Development and comers bank	28	41	6
Alsaraya Trading & Development bank	2	3	1
Mediterranean Bank	2	3	1
Alaman bank	21	31	4
Waha Bank	2		1
Alajmaa-al-arabi bank	9	13	2
Alwafa bank	4	6	1
Total	68	100	16

After defining the population, it was necessary to identify an appropriate sample and a suitable sampling frame. Selecting a sample is a fundamental element of a positivistic study (Hussey & Hussey, 1997). There are several compelling reasons for sampling, including reduced costs, improved result accuracy, faster data collection and ease of population selection (Tull & Hawkins, 1993; Hussey & Hussey, 1997; Churchill, 1999; Hair et al. 2000; Aaker et al. 2001; Chisnall, 2005; Cooper & Schindler, 2006; and Malhotra & Birks; 2007)). A representative sample should be large enough to satisfy the needs of the study and should be chosen at random and be unbiased (Hussey & Hussey, 1997). The sampling frame for any sample is a complete list of all the cases in the population from which the sample will be drawn (Saunders et al., 2009). In this research, once the sampling frame was determined, it became necessary to select the sample method and sample size. The choice of sampling method was determined by the objectives of the study, and certain constraints such as the limitations of financial resources, time, and the nature of the problem under investigation (McDaniel & Gates, 2006).

There are two major techniques to choose between for selecting a sample (Hair et al., 2003); these are Random versus Non-random sampling (probability vs. non-probability). When random sampling is employed, the researcher is able to decide in advance that the sample will represent every segment of the population (Leedy & Ormrod,

2010, p. 205). The non-random sampling strategy can be described as the selection of a population element in which the researcher selects participants, who are considered to be typical of the wider population, to be part of the sample based in some part on the judgement of the researcher (Leedy & Ormrod, 2010). In the case of random samples, a more sophisticated analysis is possible through the utilisation of parametric methods of analysis, or through the projection of results with greater statistical reliability. With non-random sampling techniques, descriptive statistics are more appropriate (Saunders et al., 2009). A random sample method was used because the researcher had constructed a sampling frame, and it was also more representative (Sekaran, 2003).

To ensure that the data collected would provide a reliable basis for drawing inferences, making recommendations and supportive decisions (Bryman & Cramer, 1990; De Vaus, 2002), a large and sample size was taken to remove bias and to meet the criteria required by the analytical methods selected. Another reason for selecting a large sample was to obtain a sufficient response rate and to ensure that the sample was representative. This is consistent with Saunders et al., (2007) and Cooper and Schindler, (2001) who stressed that it is important to choose a large sample size to ensure the necessary level of confidence with the data, sometimes referred to as level of precession or sampling error, normally set at 5%.

For some research studies it is not possible to collect data from an entire population. Some researchers like McDaniel & Gates, 2006; Saunders et al., 2007 considered that selecting the sampling method in this case depends on the objectives of the study, the financial resources available, time limitations and the nature of the problem under investigation.

The population of customers in Libyan banks (public and private sectors) is determined as 2.5 million. Based on the Libyan Central Bank's estimates, the total number of employees in the seven private banks was estimated at 2772, Therefore the estimate of the population of employees wss determined to be 15731(acombination of 12959+ 2772 estimated) (Central bank of Libya, 2012).

On the basis of this information, using the Yamane, (1967) method of sample selection, as one of the simplest methods requiring a small number of information, the appropriate

procedures for sample sizes for both customers and bank employees were based on a sampling precision of 95% (i.e. 5% sampling error)

The calculation of the sample size was made using Yamane's formulae as follows:

$$n = N / (1 + N) * (0.05)^2 \quad (4.1)$$

In equation (4.1), where n = number of samples, N = total population; e = standard error of sampling is still tolerated, here assumed at 5%. The appropriate sample size for employees and customers are therefore as:

$$\text{Employees Sample} = 15731 / (1 + 15731) * (0.05)^2 = 390$$

$$\text{Customers Sample} = 2,400,000 / (1 + 2,400,000) * (0.05)^2 = 400$$

Table 4-7 Summary of customers and bankers population

Group	Population	Sample distributed	Sample required	Sample obtained
Customer	2400000	600	400	425
Bankers	15731	500	390	420

In general, it is advisable to use a fairly large sample in order to obtain results which are representative of the population. In order to decide upon the appropriate sample size for this research, the researcher reviewed some of the sample sizes used in similar research on measuring banking service quality as a guide to an adequate research sample size. It was noted for instance that Petridou, *et al.*, (2007) distributed 350 questionnaires to the customers of Greek banks, and they also distributed 200 questionnaires to the customers of Bulgarian banks, making a total of a 550 questionnaires. Glaveli *et al.* (2006) have measured banking service quality in the countries of Greece, Bulgaria, Serbia, Albania, and Macedonia. They used sample sizes of 153, 70, 40, 40, and 37 questionnaires respectively, giving a total of a 340 questionnaires. Also Jabnoun and AlTamimi (2003) used a sample size of 800 questionnaires distributed to the customers of major local and foreign banks in the UAE. Arasli, Katircioglu and Mehtap-Smadi (2005) distributed 138

questionnaires to the Turkish speaking area and 130 to the Greek-speaking area of Cyprus. In the study of Arasli, Mehtap- Smadi and Katircioglu (2005) a total of 260 retail bank customers were surveyed in Greek Cypriot regions. Sureshchandar, Rajendran and Anantharman (2003) distributed their questionnaires to the customers of Indian public, private and foreign banks using sample sizes of 98, 86 and 93 respondents respectively, giving a total of 277. Jabnoun and Khalifa (2005) used a sample size of 230 respondents. 115 questionnaires were distributed to the Islamic banks' customers and 115 questionnaires were distributed to conventional banks' customers in the UAE. A large sample size was adopted by Spathis, Petridou and Glaveli, (2004). Their sample consisted of 1260 individual customers of public and private banks in urban and rural Greece. Al-Tamimi and Al-Amiri (2003) distributed 700 questionnaires to two UAE Islamic banks. The total sample sizes of these studies averages 520 with unequal distribution across the countries in which they were used. In deciding on this research sample size the researcher also considered the fact that "Minimum sample sizes for a quantitative consumer survey are of the order of 300 to 500 respondents" (Crouch, 1984, p. 142). Furthermore, the following two points were considered before deciding the sample size being used in this research study (Nachmias and Nachmais, 1981):

- The larger sample size is needed for the sample to be representative.
- The sample size should meet the statistical requirements of a particular statistical analysis that the researcher wishes to conduct.

In view of above arguments and after reviewing the literature, the researcher has considered that to use a sample size of 600 customers and 500 employees for each banking sector would be suitable and appropriate for this type of research. Also, the sample method used in this research allows the researcher to use his subjective judgment in terms of a sampling plan.

The sample choice of this research is 600 for Libyan public and private banking customers and 500 for Libyan public and private banking customers as a targeted sample size. This sample size will comprise seven banks from the private sector and four banks from the public sector. These branches therefore, were selected in a number of cities within the East, West and South of Libya.

The customers' survey concerned personal customers who held an account with one of the commercial banks (public and private) currently operating in Libya, which namely, include commercial public banks (Gumhouria Bank, Wahda Bank, Sahara Bank and the National Commercial Bank) and commercial private banks (Bank of Commerce and Development, Amman Bank, Al Jimaa Alarabi Bank, Wafa Bank, Mediterranean bank, Bank AL waha and Alsaraya Trading and Development Bank). A personal survey was chosen for the customers' research.

The study was carried out in November 2012 on a national level among customers of commercial banks, males and females aged 18 years and over. Questionnaire was distributed among people of any nationality residing in private households in both urban and rural areas of all three districts of Libya, namely, Tripoli, Benghazi and Sebha.

The customer survey was administered by the researcher in person, who, having obtained permission to approach the customers of all commercial banks in their branches, visited several branches of each to hand out questionnaires to customers willing to be surveyed. Generally, the customers completed the questionnaire within the bank and returned it to the researcher in person, or if he had left to canvass another branch, to the staff of the bank itself. Therefore, the researcher was sometimes available in person to clarify any uncertainties in the minds of respondents about the meaning of any questions, but not always. The researcher also included his mobile phone number on the questionnaire so that any respondents needing help could contact him: some respondents availed themselves of this assistance. Based on the previous discussion, six hundred (600) questionnaires were distributed to the study sample (customers) of the major public and private bank across the Libya.

On the other hand, a personal survey was chosen for the bankers' research. To avoid any misunderstanding of the questionnaire's purpose, which could have resulted in vague and biased responses, the questionnaire was handed out to the respondents by the researcher. The questionnaire copies were completed at the commercial public banks (Gumhouria Bank, Wahda Bank, Sahara Bank and the National Commercial Bank) and commercial private banks (Bank of Commerce and Development, Amman Bank, Al Jimaa Alarabi Bank, Wafa Bank, Mediterranean bank, Bank AL waha and Alsaraya Trading and Development Bank).

4.7.1.4 Designing and Developing the Questionnaire

In order to achieve the aims of the questionnaire, several basic issues were considered. Aaker et al., (2001) argued that a well-designed questionnaire can make the tasks of both participants and researchers easier and reduces errors. In this regard, a questionnaire was undertaken with the aim of providing answers to certain questions that will allow the stipulated research objectives to be achieved. A questionnaire with good flow is easier to use; it motivates respondents to progress through it and assists them to remember and provide accurate information (Mangipne, 1995). Several researchers (e.g. Oppenheim, 2000; Aaker et al., 2001 and Saunders et al., 2007) have provided guidelines in respect of questionnaire design, but the final approach and sequencing of questions should be determined not only by the research objectives, as mentioned already, but also by pilot work results (Oppenheim, 2000).

4.7.1.5 Planning what to Measure

In accordance with the guidelines suggested by Aaker et al., (2001), in planning what to measure phase, four main steps were taken. Firstly, objectives were clarified in order to achieve them. Secondly, questions relating to research variables were developed in order to provide sufficient material for analysis. Thirdly, questions relating to the service quality in Libyan commercial banks were designed to obtain general information and, finally, testing of preliminary versions was undertaken.

4.7.1.6 Formatting the Questions

Hair et al., (2003) argued that the type of questions used and the way in which they are structured- which also reflect on the quality of the questionnaire and might influence the response rate- should be determined in this phase. Lee & Lings (2008) stated that there are two types of questions that can be used: open-ended and closed-ended.

Open-ended questions allow respondents to talk about whatever is important to them and are free to answer in any way they choose. The advantage of open-ended questions is that it allows respondents to include more information, including feelings, attitudes and understanding of the subject (Ticehurst & Veal, 2000). In addition, it is recognised that such questions help to ensure that respondents are not influenced by the researcher to any significant degree. However the disadvantages of this type of question

lies in it being difficult to analyse questions and the low response rate because of the respondents not having enough time to answer long questions (Ticehurst & Veal, 2000).

On the other hand, it can be more appropriate to utilise closed questions, which provide respondents with a range of answers to questions from which they can select the most appropriate (Collis & Hussey, 2003; Sekaran, 2003; Saunders et al., 2007). It is considered that closed questions may be able to facilitate quicker and easier decision-making on the part of the respondents. Furthermore, such questions may be easier to answer, with subsequent recording and data analysis made simple for the researcher. However, there are various issues associated with the utilisation of closed questions, such as the lack of depth and variety with regard to respondents' answers.

Table 4-8 Advantages and disadvantages of open-ended and closed-ended questions

Advantages	Disadvantages
Open-ended questions	
Option to answer freely and opportunity to probe responses	Time-consuming and demand more effort from respondents
Closed –ended questions	
Require little time Responses are easier to compare as responses Responses have been predetermined	Do not allow probing responses

Source: Outlined from Oppenheim (2000) and Saunders et al. (2007).

Taking account of the advantages and disadvantages of closed and open-ended questions, the researcher adopted closed questions in a questionnaire. Few open-ended questions in the form of 'others (please specify)', were used. The rationale behind closed-ended questions in the research questionnaire was twofold:

- a. Closed-ended questions are usually used in quantitative studies (Hair et al., 2003).
- b. The respondents of the questionnaire were general customers and employees, who were known to be busy so that using many open-ended questions, would reduce the response rate of the questionnaire.

4.7.1.7 Measurement scales

This study's questionnaire utilised four scales: the nominal scale was used to obtain information about respondents and their companies according to questions in the questionnaire, relating to demographic data, such as type of financial market, banking sector and share ownership patterns; the ordinal scale was employed to analyse some demographic data, such as the level of institutionalisation; the rating scale was used to measure managerial perspectives of sources and information.

Five-point rating scales (Likert scale) were used in the questionnaire. The reason for choosing an odd number of categories in the scale was because the researcher felt that some respondents may have neutral feelings about some of the issues being examined. A five-point scale is a 'balanced scale' since the number of positive and negative categories is equal (Hair et al., 2003). For instance, 'Step 1' represents 'strongly disagree'; 'Step 2' represents 'disagree'; 'Step 3' represents 'neutral'; 'Step 4' represents 'agree' and 'Step 5' is 'strongly agree'. The rationale for using a Likert scale was threefold:

1. it helps respondents to make good judgements and provides them with some degree of flexibility of choice to reflect the intensity of respondents' views
2. it does not confuse the respondents with having many choices on its continuum scale; Hussey & Hussey, (1997) indicated that it makes the respondents comfortable with a wide range of choices on its continuum scale and that it is easy for respondents to complete
3. it allows the researcher to employ several statistical techniques and to conduct a powerful statistical analysis; the five-point Likert scale helps the researcher in coding and analysing the data (Hussey & Hussey, 1997)

4.7.1.8 Question Wording

Question design is a creative process that should be linked to a study's conceptual framework (Oppenheim, 2000; Churchill, 2001; Malhotra & Birks, 2003). Actual wording is one of the most critical aspects of questionnaire design, requiring clear and unambiguous language of communication to be established with respondents to collect data. According to Aaker et al. (2001), the wording of particular questions can bear a considerable influence on how a research respondent interprets them. Additionally,

question layout is of paramount importance, especially when dealing with a self-completion questionnaire. Based on guidelines suggested by Oppenheim (2000), Aaker et al., (2001), Churchill (2001), Easterby-Smith et al., (2002), Malhotra & Birks (2003) and Hair et al., (2003), the following issues must be taken into account when wording the questions :

- a. Words used in the question should be familiar and all respondents should understand them in the same way. Use simple words and avoid jargon, abbreviations and colloquialisms.
- b. Use words in the question that do not cause offence. Offensive words might result in biased responses or lower response rate.
- c. Shorten the question. Long questions are often difficult to understand.
- d. Avoid, if possible, asking a question which includes a negative or double negative. Questions that include the word "not" are sometimes difficult to understand.
- e. Avoid asking questions which imply a certain answer is correct. If it does, the question is biased and will need to be reworded.

4.7.1.9 Questionnaire layout

Based on Saunders et al., (2003), layout is a very important issue for questionnaire design. It must be designed in such a way that makes it easy to read and complete. In order to encourage the respondents to fill in and return the questionnaire, the layout must be attractive and not too long. The length of the self-administered questionnaire of between four and eight A4 pages is acceptable (Saunders et. al., 2007). Moreover the introduction must be clear and explain the research objectives and provide a way for answering each part without difficulties. Following the guidelines by Oppenheim (2000) and Sekaran (2003), the following issues were given specialist attention in the questionnaire layout:

1. The sequence of questions were arranged from general to more specific questions which made the questionnaire as easy as possible for the respondents;
2. Special attention was given to emphasise confidentiality; all respondents were treated with the utmost confidence and results were used for research purposes only;

3. The respondents were provided with two covering letters: one from the researcher's director of study in English and the other in Arabic from the Libyan commercial bank (researcher's sponsor). The covering letter was used to:
 - a) Access the companies.
 - b) Encourage respondents to participate in the research.
 - c) Explain the purpose of the research.
 - d) Ensure that the data provided by respondents was treated in high confidentiality.
 - e) Furthermore, in this phase, a covering letter from the University of Huddersfield that aimed to introduce the researcher and clarify the purpose of his research was given to the researcher. The aim of this covering letter was to facilitate the data collection process and to motivate the respondents to cooperate with the researcher.

4.7.1.10 Questionnaire design:

Throughout the course of this study, the questionnaire was designed so as to facilitate the gathering of accurate information so as to ensure study objectives are fulfilled. The gap between service quality perceptions and customer expectations will be measured in the context of Libyan commercial banking institutions.

The research literature on service quality and customers satisfaction contains numerous models from numerous researchers over the past few years across different industries (Cronin and & Taylor, 1992, 1994; Parasuraman et al., 1985, 1988; Teas, 1993, 1994; Zeithaml & Bitner, 1996). Nevertheless, the SERVQUAL tool introduced by Parasuraman et al. (1988, 1991) is recognised as being the most important and principal instrument utilised when seeking to measure service quality (Yavas et al., 1997 and Angur et al., 1999). Importantly, the tool comprises 22 items and five individual dimensions, each of which are recognised as being critical elements and valuable service quality predictors (Babakus & Boller, 1992; Bolton & Drew 1991; Brown & Swartz 1989; Carman 1990; Cronin & Taylor 1992; Parasuraman et al., 1991). The tool seeks to measure service quality in direct relation to assurance, empathy, reliability, responsiveness, and tangibles (Sureshchandar et al., 2001, 2002, and 2003). On the basis of these aforementioned studies, the overall validity and reliability associated with the

instruments is generally accepted by a number of different scholars all of whom have utilised the tool when seeking to measure service quality in a number of different sectors (Remenyi et al., 1998; Easterby-Smith et al., 2002; Collis and Hussey, 2003; Sekaran, 2003; Saunders et al., 2003; Hair et al., 2003).

4.7.1.11 Translation of the questionnaire

Although the English language is widely utilised across Libya especially within the business sector, the choice was nevertheless made to have the research questionnaire translated from English into Arabic in order to ensure the greatest degree of understanding amongst respondents. Notably, the questionnaire was originally designed utilising English. Accordingly, it was decided that the questionnaire should be distributed in both English and Arabic so as to ensure respondents had the option to choose their preferred language.

There are four techniques for questionnaire translation (Saunders et al., 2007): direct translation, back translation, parallel translation, and mixed technique. In direct translation, a bilingual translator translates the questionnaire directly from a base language to the respondent's language. However, if the translator is not fluent in both languages and familiar with both cultures, direct translation of certain words and phrases may be erroneous. Procedures like back-translation and parallel translation have been suggested to avoid these errors. In back-translation, the questionnaire is translated from the base language by a bilingual speaker whose native language is the language into which the questionnaire is being translated. This version is then retranslated back into the original language by a bilingual whose native language is the initial or base language. Translation errors can then be identified. Several repeat translations and back translations may be necessary to develop equivalent questionnaires, and this process can be expensive and time-consuming. An alternative procedure is parallel translation. A committee of translators, each of whom is fluent in at least two of the languages in which the questionnaire will be administered, discusses alternative versions of the questionnaire and makes modifications until consensus is reached. It is important that any non-verbal stimuli (pictures and advertisements) are also translated using similar procedures (Malhotra et al., 1996). In the current study back translation was used to identify and modify inconsistencies between the English and Arabic versions, in addition, the final copy of the questionnaire in Arabic was sent to an Arabic language expert who checked grammar and wording in order to ensure that the final version was clear and understandable.

4.7.2 Qualitative Data Collection Methods

A qualitative research technique was deemed an appropriate methodology to obtain data from informants. Quantitative research is, as discussed above, important in identifying patterns of phenomena. However, the researcher felt that a qualitative data is used to corroborate quantitative findings. Using qualitative data following quantitative research helps to support and probe quantitative findings. This technique allowed the researcher to interact with key informants on a conversational basis and to explore other themes relevant to the research (Saunders et al, 2009). While quantitative research is efficient, it may miss the contextual detail that can be captured by qualitative techniques (Miles and Huberman, 1994). In addition, data alone do not tell the whole story as Thomas et al (1998) argue. The qualitative techniques used in the study include semi-structured interviews. It is important to state that they were used to obtain a clearer understanding of the whole problem, to allow the researcher to focus on particular themes that emerged in the questionnaire findings and to explore them. These enabled the researcher to capture the respondents' attitudes and perceptions of various issues connected with the research questions (Saunders et al, 2009; Hair et al, 2007). The most commonly applied data collection method in a qualitative context is semi-structured interviews when targeting individuals; on the other hand, semi-structured interview discussions are most appropriate when targeting a group (Johnson et al., 2006).

4.7.2.1 Semi-Structured Interviews

In qualitative studies, interviews are viewed as being the most important of data collection approaches (Yin, 2009). Knight (2002) argued that the more data sources investigated and the greater the number of data collection methods used, the more accurate and certain the research findings will be. One way of achieving this is by conducting interviews after questionnaires. Hussey & Hussey, (1997) defined an interview as a method of collecting data in which participants are asked questions in order to find out what they do, think or feel. This technique can be adopted whether the research uses a positivist or phenomenological approach. In addition, several Arab researchers have used semi-structured interviews for their data collection. For instance, Al-Faleh, (1987); Al-Rasheed, (1996); Al-Ali (1999); Al-Bahusseir (2000) and Al-Duaij (2004) all found this technique to be advantageous in Arab organisations, where managers prefer to talk rather than to complete a questionnaire. It is recognised by Saunders et al., (2007) that this approach

seeks to gather data on the area of interest, and takes on one of three different forms: semi-structured, structured, and unstructured. Notably, all of these variations can be carried out either in person, online, or via the telephone, with each of these options providing a number of strengths and weaknesses. Semi-structured interviews are non-standardised and used in explanatory studies whereby the researcher has a list of themes and questions to be covered, although these interviews may vary from interview to interview (Johnson et al., 2006). According to Knox & Masilela (1990), the opinions of such managers and professionals are significant as they may be active as social gatekeepers and within their distinctive values, attitudes and role orientations, assist to set the agenda and ultimate direction of policy development related to unplanned settlements. According to Leedy & Ormrod (2005), use of interviews as a data collection method depends on research objectives. In this research the semi-structured interview technique was selected for the following reasons.

1. Semi-structured interviews have the highest degree of flexibility of all qualitative methods and are able to reach specified subjects more effectively than the questionnaire method (Leedy & Ormrod, 2005).
2. Usage of interviewer-administered questionnaires required the researcher to interview respondents and, as this research used semi-structured interviews as well as a questionnaires approach, it was not necessary to interview respondents twice.
3. Semi-structured interviews allowed the researcher to ask more complex questions and to ask follow-up questions not possible in the questionnaire. Moreover, it took into account the non-verbal communication such as the feeling, behaviour, attitudes and facial expression of the interviewee. Thus, it allowed a higher degree of confidence in the replies than in the questionnaire responses (Hussey & Hussey, 2003).
4. The use of the interviews increased the certainty of information collection. Due to the direct contact between the interviewer and interviewee it allowed the researcher to explain the purpose of the study more freely and to clarify any doubt or avoid misunderstanding of the questions or concepts (Oppenheim, 2000).

In this research, semi-structured interviews were conducted after the questionnaire had been administered. It is important to state that they were used to obtain a clearer understanding of the whole problem, to allow the researcher to focus on particular themes that emerged in the questionnaire findings and to explore them.

4.7.2.2 Semi-structured interviews sample

The sample of interviews chosen were related to four broad decision areas: deciding on a suitable sample size; identifying a suitable sampling frame; selecting the most appropriate sampling technique; choosing the respondents within each bank. Regarding the first of these decision areas the sample size can be determined by the research questions and /or objectives (Saunders et al., 2003) and the researcher's available time and budget (Lee, 1999). Taking these determinants into account, 11 banks were targeted for semi-structured interviews. Seven from Libyan privat bank (Bank of Commerce and Development, Amman Bank, Al Jimaa Alarabi Bank, Wafa Bank, Mediterranean bank, Bank AL waha and Alsaraya Trading and Development Bank) and four from public bank (Gumhouria Bank, Wahda Bank, Sahara Bank and the National Commercial Bank) (one from each of eleven banks). Blumer (1969) argues that it is every researcher's wish to extract information from informants who are well informed. In order to obtain a rich and reliable set of data, it was necessary to contact and interview manager from both type of banks. Though selection of informants was otherwise random, requests by letter were aimed at securing interviews with general managers. The rationale behind targeting this number of banks was:

- a. The semi-structured interviews were conducted to explore and support the findings that emerged from the questionnaire. Consequently, the researcher saw that there was no need to interview those who did not respond to the questionnaire.
- b. Targeting a sample size of eight by using face to face semi-structured interviews would save time and cost, since the researcher had limited resources and time (Kalof et al., 2008; Lee, 1998).

The second decision area is concerned with determining a suitable sample size. The researcher drew a sample from eleven banks which were targeted for conducting the semi-structured interviews. After many attempts to motivate respondents to participate in the interviews, eleven respondents from both banks agreed to be interviewed.

The third decision area is concerned with choosing the most suitable sampling technique for the current research dependent on the research objectives and the sampling frame which explains the complete list of all elements about the targeted population from which the sample is drawn (Hair et al., 2003). Therefore, the researcher chose the eleven banks from

different region in Libya. These banks gave the researcher full cooperation after the customers and employees completing the questionnaire, general managers agreed to be interviewed. Regarding semi-structured interview reliability, Easterby-Smith et al (1991) confirmed that it is concerned with whether alternative interviewers would reveal similar information. The researcher, on the other hand, provided the interviewees with a list of the interview themes before conducting the interview. The rationale behind this procedure is to promote validity and reliability by enabling the interviewees to consider the information which is requested and allowing interviewees the opportunity to assemble supporting organisational documentation from their files (Saunders et al., 2003).

The fourth area of concern in this section is the selection of the respondents. Since the semi-structured interviews were designed fundamentally to support and probe the quantitative findings, the researcher decided to conduct the semi-structured interviews with the general managers of public and private banks in order to maintain a level of consistency of responses.

This text envisages to cross check the information obtained through the inferences of survey questionnaire. Since there were 11 banks where this research was conducted, hence after, all the managers were interviewed subsequently. The purpose of interviews was to validate the information given in the survey questionnaire by the respondents. It is strongly believed that the managers play a pivotal role in policy devising and implementation. Therefore the interview questions were framed as per the policy issues about service quality in the commercial banks. The results of the survey questionnaire and interviews are presented in the of chapter 5, 6 and 7. It is also important to discuss that the mixed methods approach though costly and time consuming but still a highly positive way to arrive on a firm conclusion.

It was decided that semi-structured interviews should be conducted with the general manager of each bank. This therefore means that 11 general managers were interviewed. In order to define the targeted managers, the researcher's focus was on those managers who have a direct relationship with employees rather than focusing on senior marketing manager. The individuals who participated in the interviews were not asked to complete the questionnaire survey but were chosen because they were the sole individuals with the requisite information about Libyan banking, and because they occupied critical roles in their financial institutions. Interviews were conducted on the premises of the organisations concerned and either Arabic or English was involved as the medium of

discussion, according to the interviewee's preference and to ensure that misunderstandings were avoided. Interviews lasted between 30 - 60 minutes and were tape-recorded, with the interviewee's prior permission. The semi-structured interview was very beneficial in providing an in-depth analysis of points under investigation. In this regard, Sekaran, (2003) argues that in organisational settings, the opinions of leaders who are very knowledgeable and who can provide the desired information are included in the sample, either because they are the only ones who possess it, or to conform to some criteria set by the researcher. However, in choosing a sample for semi-structured interviews, it is additionally necessary to remember several issues. In this research targeted general managers were interviewed rather than asked to complete a questionnaire. The reasons senior for doing that were:

1. In the organisational setting the opinions of leaders who are very knowledgeable are included in the sample. Enlightened opinions, views and knowledge constitute a rich data source (Sekaran, 2003).
2. General Managers, who were found in the headquarters of each organisation, were the most knowledgeable people in terms of financial market practise.
3. People in the financial sector who had refused to respond to the questionnaire would probably not agree to grant an extensive personal interview.
4. Using the questionnaire respondents as a sample frame had the advantage, in both selection and analysis, of being able to draw on substantial information provided by the questionnaire. However, this could also be a disadvantage, as questions may not necessarily cover all aspects of business.

4.7.2.3 Pre-testing and Piloting the Interview

So as to ensure the validity of the questions in the interview schedule with regard to the study aims, there was the necessity to complete a pilot interview. Accordingly, the pre-testing of interview questions took place with a small number of managers in an attempt to establish whether or not the wording of the question was clear and to further gain understanding of what would need to be applied in order to ensure good responses were gathered. Following such testing, sensitivity to questions and the interview duration were established.

Importantly, the interviewees were selected in mind of favourable access conditions; these were used in order to examine both the suggested data collection approaches and the type

of data needing to be gathered in order to fulfil the research aim. The section below provides insight into the key elements of the interview pilot.

4.7.2.4 Interview Process

The semi-structured interview method, as shown in Appendix 3, is a list of eleven questions to be covered during 11 interviews. All interviewees were asked the eleven questions but in a different order according to the flow of the conversation. In accordance with recommendations suggested by Malhotra and Birks (2003) and Sekaran (2003), every targeted respondent was provided with a copy of the support letter and some of them asked to be provided with a copy of the interview in advance. The interviews took place during the same period that personally administered questionnaire were sent to the managers of both tyb of banks across the region. Every interviewee was explicitly asked if they would give permission for the interview to be recorded or taped and the researcher was given permission by some of interviewees to record the interviews for academic purpose. In addition, the answers were also recorded by note-taking to be used in case the voice-recorded tape was not clear. Most semi-structured interviews were held at the managers' official offices during their working hours, at their own convenience. Each interview took an average time of 20-30 minutes. The researcher aimed to make 11 semi-structured interviews; the total was achieved. All of them were general managers. Three interviews were tape-recorded with permission; this was a significant action, and allowed interviewees the freedom to express their views. Two interviews were not recorded and only partial note-taking was used. For those interviewees who did not give permission for tape-recording, notes was taken the moment the interviewees replied to their questions. Furthermore, interview skills required consciousness of the likely impact of the interviewer upon the respondents. It was necessary to maintain sensitivity to the cultural aspects of managers' sophistication, non-verbal as well as verbal, because interaction was not only structured by the questions but also by personal feelings.

In general, the researcher did not face any serious problems and difficulties during the interviews, despite some difficulties in securing the interviews with the required sample.

4.7.2.5 Overcoming the bias in interviews

Bias in the interviewing approach resulted from the nature of the research, researcher, respondents who agree to be interviewed. In order to avoid the bias, Oppenheim, (1992);

Sekaran, (2003), Malhotra & Birks, (2007) and Saunders et al, (2007) provided nine important key points which the researcher needed to consider. These points are as follows:

1. Preparation and readiness of the researcher for the interview; the researcher needs to be knowledgeable about the organisational or situational context.
2. The level of information supplied to the interviewee; providing respondents with a list of the interview themes before the event promotes the validity and reliability through enabling the interviewee to consider the information being requested.
3. The appropriateness of the researcher's appearance at the interview; the researcher's appearance may affect the perception of the interviewee. Where this has an adverse effect on the researcher's credibility in the view of the interviewee, this resulting bias may affect the reliability of the information provided.
4. The nature of opening comments to be made when the interview commences; where the interviewee has not met the researcher before, the first few minutes of conversation may have a significant impact on the outcome of the interview. The interview is likely to occur in a setting that is unfamiliar to the researcher, but it will nevertheless be the researcher's responsibility to shape the start of the discussion.
5. Approach as regards the questioning; the researcher's approach to questioning should reduce the scope for bias during the interview and increase the reliability of the information obtained. The questions need to be clearly phrased, so that the respondent can understand them, and the researcher should ask them in a neutral tone of voice. It is usually best to leave sensitive questions until near the end of an interview because this allows a greater time for the respondent to build up trust and confidence in the researchers.
6. Nature and impact of the interviewer's behaviour during the course of interview; appropriate behaviour by the researcher reduces the scope for bias during the interview. Comments or non-verbal behaviour, such as gestures, which indicate any bias, should be avoided. The researcher should enjoy the opportunity, or at least appear to do so.
7. Demonstration of attentive listening skills; the purpose of a semi-structured or unstructured interview is to understand the participant's explanations and meaning, where the concentration on listening is highly important and allow the researcher

to identify comments that are significant to the research topic. Although it is necessary for the researcher to explore and probe explanations and meaning respondents must be provided with reasonable time to develop their responses, and the researcher must avoid projecting her/his own views.

8. Scope to test understanding; the researcher may test the understanding by summarising an explanation provided by the respondent. This will also allow the respondent to evaluate the adequacy of the interpretation and correct where necessary.
9. Approach to recording data; a full record of the interview should be compiled as soon as possible after it has taken place. Where the researcher does not do this, the exact nature of explanations provided may be lost as well as general points of value. There is the possibility that the researcher may mix up data from different interviews.

4.8 Limitation of the Study

The study restricted itself to metropolitan centres of Libya in the far Eastern and Western areas. Because of distance and time constraints, this study was not able to conduct research in rural and suburban areas of the country. The areas studied included the largest cities and therefore contain the largest population and greatest number of banks. Banks in the Southern, less populated region of the country were not visited.

Although the researcher made assurances regarding the anonymity/confidentiality of respondents, their organizations and the data collected via the questionnaires and the interviews, some of the respondents were still concerned and/or sceptical regarding anonymity/confidentiality issues and the giving out of information. As a result, the researcher felt that in some cases, the respondents showed less willingness to disclose some information which they perceived as sensitive and in some other cases the respondents were worried about potential consequences for responding to an item thus limited their answers to the key issues and missed out details. In addition, there was the limitation of resources, the lack of a post-coding system to use and the fact that no reliable list of names of the banks clients will be available.

4.9 Ethics

An important element of the research study is the consideration of ethics. The information is sensitive and many employees are directly affected by the changes to the business. It is important to make sure that both the research methodology and the outcome of the investigation do not breach any ethical boundaries. This “involves not only deceiving or doing harm, but being true to the process” (Coghlan & Brannick, 2001). A list of ethical issues by Coghlan & Brannick (2001, p.73) that is considered throughout the process is:

1. negotiating access with authorities and participants;
2. promising and ensuring confidentiality of information, identity and data;
3. ensuring participants the right not to participate in the research;
4. keeping relevant others informed;
5. getting permission to use documentation which was produced for other institutional purposes;
6. maintaining your own intellectual property rights;
7. keeping good faith by showing you are someone who can be trusted and always checking with others for any misunderstanding;
8. negotiating with those concerned how you will publish descriptions of their work and points of view;

The protocol for this research was approved by the Ethics Committee at the University of Huddersfield-Business School where the researcher is a doctoral student.

The respondents were contacted in Libya whilst they were using the banks' services after obtaining their initial approval to participate in the questionnaire. The researcher collected their responses through questionnaires and the filled questionnaires were stored in the researcher's private office at the University of Huddersfield.

The respondents' names and banks' name were "Completely Anonymous" and the responses were treated as "Strictly Confidential". The data will not be kept longer than necessary to complete my PhD studies and to publish academic papers, and no company or individual will be contacted as a result of the information respondents provide.

4.10 Data analysis

After collecting all the data it becomes important that we know how to analyse this data. Several procedures and rearrangements are required and performed during the process of data analysis (Zikmund, 2003). Several statistical techniques are available for analysing the data derived from questionnaire, based on the objectives of the study (Oppenheim, 1992; Hussey and Hussey, 1997; Pallant, 2007). As it has been recognized amongst researchers, the choice of relevant statistical methods is primarily dependent on furnishing the assumptions of parametric tests; the examples of which are offered by Field (2000: 37-38), Bryman and Cramer (2001: 115), and Pallant (2007: 203-204). It should be noted that this study only uses parametric tests in furnishing the aim of the research. This, therefore means that no regression analysis will be used, hence no need to establish any causality directions or identifying whether a factor is dependent or independent.

In respect of parametric assumptions, the statistical techniques considered for this study included: (a) descriptive statistics (b) t-test. As has been stated in Hussey and Hussey (1997), descriptive statistical methods are normally considered when the research is concerned with describing, presenting and summarising data that have been collected. The descriptive statistics aim to measure frequencies (counts and percentages), central tendency (mean) and spread (standard deviation) for each and every variable. Frequencies enable the researchers to describe the characteristics of the studied sample and to know the frequency distributions of the variables under investigation. A descriptive statistical analysis was used to evaluate the level of service quality of Libya's commercial banks from the customers' and bankers' perspectives hence measuring the gaps between customers' expectations and their actual perceptions; between employees' perceptions of customers' expectations and the actual expectations of customers. The application of these statistics led to estimation of mean and standard deviation measures for each SERVQUAL statement on both expectation as well as perception. The estimates of means and standard deviations were derived from each of the items for each group.

Moreover, in this study the descriptive statistics were designed to take care of a description of the two groups' demographic profiles. They included the gender groups, age groups, education levels and duration of relationship with the bank of all groups. In estimating such measures, the study used the Statistical Package for the Social Sciences

(SPSS); employing a level of significance of $p= 0.05$ throughout the study. The statistical analyses also included the independent sample t-tests, and paired sample t-test.

Table 4-9 Statistic test required for each test topic

Objectives	Test topic	Statistical test	Hypothesis
Objective 1	Compare whether there are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.	Independent sample t-test	Hypothesis 1
Objective 2	Compare whether there are significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.	Independent sample t-test	Hypothesis 2
Objective 3	Compare whether there are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.	Paired sample t-test	Hypothesis 3
Objective 4	Compare whether there are significant differences between employees' perceptions of customers' expectations and actual customers' expectations in public and private banks	Independent sample t-test	Hypothesis 4

4.10.1 Quantitative data analysis

An independent samples t-test provided a comparison between the mean values of two different groups or samples through the application of the measure of scores spread. As noted by Saunders, Lewis & Thornhill (2007, p. 447), 'If the likelihood of any differences between these two groups occurring by chance alone is low, this will be represented by a large t statistic with a probability less than 0.05. This is termed statistically significant'. With this taken into account, it thus may be suggested that such a test takes sampling from

both groups and analyses for differences apparent in their mean values (Robson, Pemberton & McGrane, 2008).

This study had the key objective to establish whether or not there were any significant differences apparent between public and private sectors with regard to the quality levels of service expected and perceived. Upon recognition of the fact that both groups of customer, i.e. those from public banks and those from private banks, exist independently, there can be a contrast drawn between the populations through the application of independent samples t-tests; this assesses the mean of service quality perceptions as held by customers and the difference between the type groups, subsequently allowing the hypotheses of the study to be tested. With this noted, Robson, Pemberton & McGrane (2008) state that an alternative hypothesis can be rejected if significant (2 tailed) value > 0.05 ; on the other hand, the hypothesis is accepted if significant (2 tailed) value < 0.05 .

The utilisation of such a test was recognised by the researcher as being the most appropriate approach when seeking to deal with the study objective and accordingly provided an answer to the research question. Moreover, it was acknowledged that, despite there being a number of alternative approaches, such as the ANOVA test, for example, which is able to establish any degree of variance between mean scores, alternative techniques nevertheless were considered unsuitable: in particular with regard to the ANOVA test, in this case it was adopted in order to contrast three or more independent samples (Robson, Pemberton & McGrane, 2008; Saunders, Lewis & Thornhill, 2007); this study utilised only two. With regard to the literature, it is apparent that the use of this approach can be seen in other comparable comparative research studies. For example, the study of Kangis & Voukelatos (1997) drew a comparison between the public and private banking sector in the context of Greece, with consideration to the perceptions and expectations of customers. Moreover, Petridou et al. (2007) provided a contrast between banks operating in Bulgaria and Greece with regard to the levels of service quality, with both research studies utilising the independent samples t-test method in an attempt to establish the variance between the two samples' mean scores.

The aim of this study was to compare the service quality between two groups, Libyan commercial public and private banks, to ascertain whether there was any difference between customers and bankers opinions regarding their expectations and

perceptions of service quality in these banks. According to Pallant (2007) and Field (2005) the t-test is used to test differences in two groups. Therefore, a t-test (independent and paired sample) was used to evaluate the service quality of these banks from both the customers' and bankers' perspectives.

The use of independent sample t-tests enabled the testing of the hypothesis that involved two groups of respondents and one variable to be measured (Saleh and Ryan, 1991; Tsang and Qu, 2000; and Douglas and Connor, 2003). On the other hand, the paired samples t-test was carried out to test the significant mean differences between customers' expectations and perceptions of service quality. Several studies (e.g. Gerrard and Cunningham, 2001; Arasli et al., 2005; Bhat, 2005; Abdul Razak and Chong, 2007; and Tahir and Abu Bakar, 2007) have conducted this test aimed at comparing customer's expectations and perceptions of service quality in different sectors.

4.10.2 Qualitative data analysis

In relation to the differences between the quantitative and qualitative research, Rust (1993: 70) has argued that the difference between the techniques is based on the purpose of the analysis rather than the method of data gathering. While qualitative research answers the question of how things happen, quantitative research answers the question of how often things happen. However, qualitative research methods comprise interpretive techniques which seek to describe, decode, translate and explain the meaning, not frequency, of the phenomena in a social world (Van Maanen, 1983). Researchers are not bound by any particular methodology but rather use diverse tools and methods according to the requirement of problem resolution (Denzin and Lincoln, 2000). Qualitative research is most suitable when 'rich' information about a small number of subjects is needed, when a flexible or informal approach is desirable, or when members of the sample population involved are better researched by encouraging description and analysis of situations in their own words (Ticehurst & Veal, 2000). As has been stated in Saunders et al (2003), due to its special nature, there is no standardised approach in analysing qualitative data. Bryman (2004: 398) has also noted, "*Clear-cut rules about how qualitative data analysis should be carried out have not been developed*". It is therefore agreed amongst researchers that there are many qualitative research approaches which may be considered depending on the theme of the research (Saunders et al., 2003). In other words, it was found that a thematic analysis approach (a form of semiotic approach widely accepted and used in cross-cultural research)

was appropriate to analyse our data (Gillham, 2000; Klein and Truex III, 1995). Thematic analysis is a search for themes that emerge as being important to the description of the phenomenon (Daly, Kellehear and Gliksman, 1997). The process involves the identification of themes through ‘careful reading and re-reading of the data’ (Rice and Ezzy, 1999, p. 258). It is a form of pattern recognition within the data, where emerging themes become the categories for analysis. The steps defined by Gillham (2000) in analysing interviews using the thematic analysis approach were adopted by the researcher. Gillham argues that a researcher cannot analyse interviews by just listening to them, as each interview must be in written form before it can be analysed. The researcher wrote up each interview fully in Arabic, and then followed the procedure specified in Chapter Seven for translating these interviews from Arabic to English. The researcher used the English translated versions for analysing the data, referring to the Arabic version as needed.

The process of analysis of the qualitative data collected in the current study started when the researcher finished collecting the data. Taking into account the large amount of qualitative information, the process of interview transcription was carried out by the research without outsourcing this technical work. The major reason for this was that the interviews were conducted in Libya and often contained multiple expressions which might prove difficult for interpretation by non-native transcribers. Secondly, it was more logical to intertwine the interview data with the observation notes at the transcription stage to draw better conclusions on the subject of research. Condensing of the data was enhanced through thorough work on the fieldwork materials in printed and audio form. All the data were coded according to the generic corporate restructuring types, leaving space for new strategies which could occur during this research. The data obtained from the interviews was processed and analysed using a number of steps. It started by listening carefully to the tapes and then transcribing them by writing down each participant’s response on a separate sheet of paper. Processing and analysing interviews normally takes time because the researcher needs to listen carefully to the tape recorder, transcribe, read and re-read the data repeatedly (Drever, 1995). Therefore, the researcher read transcribed data accurately in order to identify the topic area related to the study aim. Each question’s responses were put together and re-written on different sheets of paper so that all the answers to a particular question were together. Categories of the responses to each question were described in the form of broad themes. The responses were described in terms of the topics or categories and quotes were used to illustrate them. Ethical consideration suggested that all interviewees had to be

coded in order to ensure confidentiality of the provided data. This was also useful in terms of the categorisation of the information in relation to different institutions. Once a final version of each transcript is defined and all transcripts have been coded to it.

4.11 Validity and reliability

Sekaran (2003) reiterates that the examination of the accuracy and precision of the instrument used in the research would ensure that the measures developed are reasonably good and reliable. Oppenheim (1992) defines validity as the degree to which an instrument measures what it is supposed or intended to measure; whilst defining reliability as the extent of goodness of the instrument measured. The SERVQUAL instrument has been applied extensively in many service areas and it exhibited highly reliability and with a good degree of validity. This study also attempts to confirm the extent of reliability and validity of SERVQUAL applied to Libyan commercial banks.

4.11.1 Reliability

As stated earlier, reliability refers to the extent to which an instrument measures the same way each time it is used under the same condition with the same subjects. Bryman (2008) regards reliability as an exceptionally important issue in connection with quantitative research. This is to say that quantitative research is likely to be concerned with the question of whether a measure is stable or not.

Reliability is defined by Bagozzi (1994: 17) as: "the amount of agreement between independent attempts to measure the same theoretical concept". Furthermore, Bryman, (2008: 698) regards reliability as "the degree to which a measure of a concept is stable". One of the most popular tests of reliability and consistency is referred to as the Cronbach's coefficient Alpha (Cronbach, 1990 and Saunders et al., 2007); a measure which takes a value between 0 and 1 where a value of 1 refers to perfect reliability; and 0 refers to non-reliability. It is generally agreed that a coefficient of 0.7 or above is desirable (Hair, et al, 1998; Pallant, 2007).

4.11.2 Validity

As defined in Smith (1975: 61), validity is "the degree to which the researcher has measured what he has set out to measure". In a more simplified manner, Kumar, (2005) defines validity as the ability of an instrument to measure what it is intended to measure.

It can therefore be argued that validity is rather a matter of judgment than a fixed mathematical relationship or phenomenon (Nunnally, 1994). As has been discussed earlier, the use of a modified SERVQUAL questionnaire is expected to reduce some of the issues which have been posed regarding validity.

In meeting and confirming validity, this study has made several efforts to follow instructions for building an appropriate questionnaire. This has been achieved, firstly through the identification of relevant material via an extensive literature review and previous experiences by other researchers. Moreover, the questionnaire will be pre-tested by members of staff, doctoral students and a panel of academic researchers. Lastly, a pilot study was conducted to ensure that respondents had no problems in answering questions.

4.12 Summary

Data collecting has been explained and discussed in this chapter. The research design and research methodology were explained and the differences between them were discussed. The positivistic paradigm employing a survey methodology was utilised as an appropriate method for conducting this research. It followed the deductive approach- which is derived from positivism. Survey was used as the research strategy. Furthermore, the research is considered as cross-sectional as it is carried out once and represents a snapshot of one point of time. The research used primary and secondary data sources. Quantitative was the dominant approach, but the qualitative was the less dominant. Questionnaires were used as the main data collection method and semi-structured interviews were used after conducting the questionnaire. This chapter provides a description of the procedures used to measure the constructs and collect the data. The industry selected for the study was the Libyan public and private commercial banks. The SERVQUAL instrument was selected as the most reliable device to measure the service quality in these banks. Two questionnaires were formulated, one for bankers (employees) and the other for customers. A random sample of 1100 customers and bankers was chosen and the self-administered questionnaire method was employed as the most appropriate method to collect a large amount of data.

For the purpose of data analysis, SPSS was used in order to present and analyse quantitative data, and employ both descriptive and t-test. According to the main objectives of this research, the statistical techniques considered for this study are, independent sample t-test, paired sample t-test and a rank-order test. The issues of reliability and validity were also

discussed in this chapter. Finally, a description was provided of the statistical methods utilised in this research. Findings and discussion are present in the next two chapters.

Chapter 5 : RESULTS RELATING TO CUSTOMERS' EXPECTATIONS AND PERCEPTIONS OF SERVICE QUALITY

4.1 Introduction

The purpose of this study was to examine and compare service quality in the Libyan commercial public and private banks by using SERVQUAL questionnaires from customer standpoints. The findings garnered were gathered from consumers of both types of banking establishment with regard to the 22 service quality items representing five respective dimensions namely, assurance, empathy, reliability, responsiveness and tangibility.

Therefore, this chapter delivers insight into the outcomes derived from the research data analysis. The focus of the research was to examine and compare customers' expectations and their perception of service quality between the Libyan private and public banks.

The chapter specifically considers the statistical approaches adopted in order to conduct service quality related hypotheses-testing from the consumer's perspective. The alpha level is set at 5% (0.05). P-values less than the alpha are considered as having statistical significance. Saunders, et al (2007, p. 447), have noted that "If the likelihood of any differences between these two groups occurring by chance alone is low, this will be represented by a large t statistic with a probability less than 0.05. This is termed statistically significant". In this regard, Robson, et al (2008), concluded that if significant value > 0.05 , the researcher rejects the alternative hypothesis, while if significant value < 0.05 the researcher accepts it. The findings are organised into the sections detailed below:

1. Overall sample profile;
2. Customer samples' characteristics and demographics;
3. Customer SERVQUAL questionnaire data analysis, with attention placed on the consistency and accuracy of the study tool, an examination of the potential disparities between the expectations and perceptions of consumers for each of the questions and five dimensions. The relative importance of such dimensions is also considered with regard to the perspectives of consumers; and
4. Chapter summary.

SPSS was used to analyse the data gathered, in addition to the standard statistical analysis techniques of mean rating and t-test; these delivered a more in-depth explanation of the findings for all of the analyses.

4.2 Research Aim and Objectives

As highlighted above, the methodology considers the general approach to the study, from the theoretical foundation through to data gathering and subsequent analysis (Collis & Hussey, 2003). In order to ensure high study reliability, it is fundamental that there is clarity surrounding the ways in which the research is conducted, which is achieved through providing a good description of the methodology applied. Notably, should a flawed methodology be implemented, the conclusions drawn may be unreliable. Accordingly, it is recognised that the methodology selected must be related to the research objectives.

The main aim of conducting this research, therefore, was to examine and compare expectations and perceptions from customers and bankers regarding service quality provided by the commercial public and private banks in Libya. In order to achieve this aim, four main objectives were set, as follows:

1. To examine customers' expectations of service quality between Libyan commercial public and private banks.
2. To assess customers' perceptions of service quality between Libyan commercial public and private banks.
3. To analyse differences in customers' expectations and perceptions' of service quality between Libyan commercial public and private banks.
4. To assess employees perceptions of customers' expectations and actual customers' expectations in both Libyan commercial public and private banks.

4.3 Research hypotheses

The hypotheses assumptions informed the basis of this research study, as this research measured service quality levels in the Libyan private and public banking sectors separately using the SERVQUAL model to identify if there were significant differences between the two groups of banks in terms of the perceived service quality levels. The

SERVQUAL scale originating from the earlier discussion in chapter three of this research entailed the service quality dimensions of tangibles, reliability, responsiveness, assurance and empathy. These five service quality dimensions were used to determine and assess the actual levels of service quality in the two groups of banks which has guided the researcher to develop and generate the research hypotheses based on the five service quality dimensions of the SERVQUAL scale. Additionally, the literature supported the view that addressing every service quality dimension was vital. This approach was also advanced by the studies of Parasuraman, et al (1994); Hammer & Champy, (1994), and Morris & Brandon (1993). The following hypotheses were therefore subjected to statistical test:

Null Hypothesis (H₀₁): There are no significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a1}): There are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₂): There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a2}): There are significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₃): There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Alternative Hypothesis (H_{a3}): There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Null Hypothesis (H₀₄): There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

Alternative Hypothesis (H_{a4}): There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

4.4 Survey response rate

Although there is much discussion and debate amongst professionals and researchers in the field surrounding response rates, it is noteworthy to highlight that, besides establishing what is a sound response rate and how such a rate can be achieved, attention should also be directed towards the fact that the response rate of questionnaire surveys experience variation in terms of the nature of the study and the importance of such a study, as well as the sample population.

In the literature on the topic, there is much consensus that a response rate exceeding 30% is good and acceptable when adopting a survey questionnaire method, as highlighted by Moser & Kalton (1971) and Crimp & Wright (1995).

Taking into account the aforementioned discussion, the target sample of this study comprised the customers of both public and private banking institutions operating in Libya, with two banks chosen from each sector and accordingly broken down into eleven branches in four different cities in the West, East and South of the country.

A descriptive analysis of the target population is provided in this section with the aim of delivering a summarised description of the customers of private and public banks operating in Libya. Through the course of this study, 600 copies of the questionnaire were distributed to 300 public bank customers and 300 private bank customers. A total of 70 copies were not returned (10% public bank customers and 13.33% private bank customers). Notably, 216 public bank customers completed the survey whilst 209 private bank customers completed theirs. However, some of the questionnaires (54 of public customer surveys and 51 of private customer surveys) were incomplete, and were therefore removed from the sample; the research thus reviewed a total of 216 public bank and 209 private bank customers' questionnaires. This provided an overall response rate of 69.67% amongst private consumers and 72% amongst public consumers. These results are detailed in table 5.1.

Table 5-1 Survey responses rates of customers in public and private banks

Questionnaires	Public banks		Private banks	
	Frequency	Percentage	Frequency	Percentage
Total number of questionnaires	300	100	300	100
Questionnaires not returned	30	10	40	13.33
Incomplete questionnaires	54	18	51	17.00
Usable questionnaire returned	216	72	209	69.67
Total	216	100	209	100

4.5 Descriptive statistics of the demographic profile of customers

The demographic and background characteristics of the respondents examined were namely age, duration of bank–consumer relationship, education level, and genders which are detailed in tables 5.2 to 5.5.

4.5.1 Frequency level of the banks' customers based on the criterion of gender

The percentage and frequency of private and public customer respondents, as categorised dependent on gender, can be seen in table 5.2. It can be seen that most of the respondents are male (82.4% public bank customers and 77% private bank customers). Such a significant difference between such figures may be explained by a number of different factors. The first is the nature of Libyan society, where men are expected to deal with financial matters to a greater extent than women. In addition, in Libya, it is common for only those with an income to have a bank account. Furthermore, in Libya, as well as many other Arab countries, men are more likely to have paid employment due to many considerations. Firstly, there is the conservative religious nature of Arab and Libyan society, where women are not expected to work in male-dominated organisations. Secondly, women tend to accept more traditional secretarial jobs and work, for example, in the health or education sectors, probably as this kind of work involves less contact with men, which is consistent with Islamic culture (Kumar, 2000).

Table 5-2 Description of the respondents for gender

Descriptive	Customers responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
Male	178	82.4	161	77
Female	38	17.6	48	23
Total	216	100	209	100

4.5.2 Frequency level of the banks' customers based on the criterion of age

Respondents' modal age in the case of public banks is seen to range from 30-39 years, whereas this is seen to be between 20 -29 years in the case of private banks, as shown in table 5.3 (in other words, 41.2% in public banks and 37.8% in private banks). For both private and public banking institutions, the minority of respondents for both banks are between 50 - 59 years or more than 60 years.

Table 5-3 Age of respondents

Descriptive	Customers responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
20-29	73	33.8	79	37.8
30-39	89	41.2	76	36.4
40-49	41	19.0	39	18.7
50-59	13	6.0	9	4.3
More than 60	0	0	6	2.9
Total	216	100	209	100

4.5.3 Frequency level of the banks' customers based on the criterion of education

With regard to respondents' educational levels, the largest group for both the customers of public banks (31.9%) and in the private banks (36.8%) were customers with an educational attainment of a Bachelor's degree. This is shown in table 5.4. The next largest group of those using public banks are those with an intermediate diploma (26.4%) or a higher diploma level of education (24.1%) whilst the second largest category of the

private banks is for customers having either a higher diploma (27.3%) or an intermediate diploma (24.4%). Finally, the smallest rate relates to customers with a Master's degree 14.4% or Doctorate (3.2%) amongst public bank customers and 9.1% and 2.4% respectively amongst private bank customers.

It is to be expected that those members of Libyan society with high educational attainment would be over-represented in a sample of commercial bank customers, since in a society still dominated by cash transactions a bank account is only a necessity to a salaried employee.

Table 5-4 Summary of educational level

Descriptive	Customers responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
Intermediate diploma and less	57	26.4	51	24.4
Higher diploma	52	24.1	57	27.3
Bachelor degree	69	31.9	77	36.8
Master's degree	31	14.4	19	9.1
Doctorate degree	7	3.2	5	2.4
Total	216	100.0	209	100.0

4.5.4 Frequency level of the banks' customers based on the criterion of duration with bank

As shown in table 5.5 below for public banks periods of 6-10 years and 1-5 years are the most common durations of relationship, whereas for private banks durations of 1-5 years and 6-10 years are the most frequent. The fewest customers are those with a duration period of relationship with their bank of 16-20 years. This applies to both customer banks groups (5.1% in customers' public banks and 5.3% in customers' private banks).

Table 5-5 Duration of relationship with a bank

Descriptive Years	Customers responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
1-5	79	36.6	86	41.1
6-10	92	42.6	75	35.9
11-15	31	14.4	30	14.4
16-20	11	5.0	11	5.3
More than 20	3	1.4	7	3.3
Total	216	100.0	209	100.0

4.6 Data Analysis

This section is broken down into two respective phases: the first is dedicated to the questionnaire reliability statistics test of the customers; the second is devoted to the descriptive analysis of the data that was collected by the questionnaire which included an examination of the customers' expectations and perceptions of service quality provided by Libyan commercial public and private banks.

4.6.1 Confirmation of SERVQUAL reliability

The purpose of this research was to examine the differences between customer's expectations and perceptions of service quality in Libyan commercial public and private banks. The SERVQUAL tool was adopted, and is seen to comprise 22 individual items centred on establishing perceptions, and 22 centred on identifying expectations. Moreover, a reliability analysis of each set of questions was carried out through the adoption of the Cronbach's Alpha approach with the aim of statistically measuring the reliability of the research tool and the internal consistency of such. The test results are detailed in table 5.6, which further shows that the reliability coefficient for perception items is 0.85 whilst for expectation items it is 0.82; both are recognised as satisfactory owing to the fact that they are higher than 0.7. Garson (2005) argued that within social sciences, the more acceptable alpha score is 0.70 or higher for a set of items to be considered a scale, while others are as low as 0.60. According to Asubonteng, et al (1996), high reliabilities are desirable such as 0.90 or above, whilst reliabilities below 0.60 may demand additional research in order to develop a revised instrument with greater reliability.

Table 5-6 Cronbach's alpha test

Group	Cronbach's Alpha	No. of items
Expectations of customers	0.82	22
Perceptions of customers	0.85	22
Total	0.84	44

4.6.2 Testing customers' expectations and perceptions of service quality

In an attempt to examine the differences between the perceptions and expectations of customers with regards to the provision of service quality in Libyan commercial private and public banks', the SERVQUAL scale, along with its five respective dimensions, was adopted. Taking this into account, the hypotheses stated earlier on page three will now be examined.

4.6.2.1 Testing hypothesis 1, (the banks customers' expectations of service quality)

Insight into customer expectations on service quality is the key topic under analysis in the present research. The results of which were measured through the use of a five-point Likert scale, ranging from strongly disagree (1) through to strongly agree (5), in which the higher the score represents, the greater the expectation of the service.

The frequency of customer expectations in the case of private and public banks can be seen in tables 5.7 and 5.8. To begin with, when reviewing the first table, it can be observed that 96 of 216 responses in public banks are at a strong level of agreement with the Likert scale; with 44 % of the public bank customers expecting the highest level of service delivery.

Results in table 5.8 show the frequency of customers' expectations in private banks. Table 5.8 illustrates that 91 out of 209 responses in private banks are at a strong level of agreement with the Likert scale, where 44% of the private banks customers expected the highest level of service quality provided.

Table 5-7 Customers' expectations frequencies in public banks

Dimensions	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	0	0	0	0	7	3.2	53	24.5	156	72.2
	2. The physical facilities of the bank	0	0	8	3.7	38	17.6	78	36.1	92	42.6
	3. The appearance of bank employees	4	1.9	5	2.3	24	11.1	69	31.9	114	52.8
	4. Suitability of bank appearance with the nature of service provided	0	0	23	10.6	11	5.1	76	35.2	106	49.1
Reliability	5. The banks' promises to customers	10	4.6	33	15.3	47	21.8	59	27.3	67	31.0
	6. Bank sympathy with customers' problems	12	5.6	14	6.5	26	12.0	70	32.4	94	43.5
	7. Providing proper service to the customer the first time	33	15.3	41	19.0	37	17.1	34	15.7	71	32.9
	8. Providing service at the time promised	14	6.5	27	12.5	17	7.9	78	36.1	80	37.0
	9. Bank records	11	5.1	10	4.6	38	17.6	44	20.4	113	52.3
Responsiveness	10. Telling customer from the time of providing service	11	5.1	12	5.6	23	10.6	99	45.8	71	32.9
	11. Provide services promptly and quickly to customers	23	10.6	36	16.7	42	19.4	42	19.4	73	33.8
	12. Willingness to help customers	8	3.7	15	6.9	14	6.5	83	38.4	96	44.4
	13. Responding to customers requests	22	10.2	27	12.5	54	25.0	45	20.8	68	31.5
Assurance	14. The impact of employees' behaviour on customers	6	2.8	16	7.4	17	7.9	79	36.6	98	45.4
	15. Customers' treatment by the bank	4	1.9	9	4.2	64	29.6	55	25.5	84	38.9
	16. Employees' behaviour with customers	7	3.2	9	4.2	49	22.7	86	39.8	65	30.1
	17. Knowledge and understanding of bank employees	5	2.3	10	4.6	16	7.4	48	22.2	137	63.4
Empathy	18. Bank caring for customers	12	5.6	6	2.8	57	26.4	80	37.0	61	28.2
	19. Suitability of opening hours for customers	14	6.5	10	4.6	34	15.7	65	30.1	93	43.1
	20. Employees attention to customers	1	0.5	3	1.4	35	16.2	66	30.6	111	51.4
	21. Bank attention to the interest of customers	6	2.8	3	1.4	30	13.9	61	28.2	116	53.7
	22. Bank employees' awareness of customer needs	14	6.5	6	2.8	16	7.4	32	14.8	148	68.5
	Average	10	7	15	6	31	14	64	29	96	44

Table 5-8 Customers' expectations frequencies in private banks

Dimension	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	0	0	0	0	19	9.1	96	45.9	94	45
	2. The physical facilities of the bank	1	0.5	4	1.9	50	23.9	104	49.8	50	23.9
	3. The appearance of bank employees	0	0	1	0.5	30	14.4	89	42.6	89	42.6
	4. Suitability of bank appearance with the nature of service provided	0	0	5	2.4	41	19.6	98	46.9	65	31.1
Reliability	5. The banks' promises to customers	3	1.4	19	9.1	40	19.1	96	45.9	51	24.4
	6. Bank sympathy with customers' problems	0	0	3	1.4	24	11.5	112	53.6	70	33.5
	7. Providing proper service to the customer the first time	3	1.4	27	12.9	62	29.7	92	44	25	12
	8. Providing service at the time promised	5	2.4	8	3.8	31	14.8	105	50.2	60	28.7
	9. Bank records	1	0.5	2	1	25	12	56	26.8	125	59.8
Responsiveness	10. Telling customer from the time of providing service	1	0.5	9	4.3	22	10.5	118	56.5	59	28.2
	11. Provide services promptly and quickly to customers	6	2.9	19	9.1	34	16.3	100	47.8	50	23.9
	12. Willingness to help customers	4	1.9	5	2.4	33	15.8	98	46.9	69	33
	13. Responding to customers' requests	7	3.3	19	9.1	45	21.5	79	37.8	59	28.2
Assurance	14. The impact of employees' behaviour on customers	0	0	5	2.4	31	14.8	58	27.8	115	55
	15. Customers' treatment by the bank	1	0.5	2	1	45	21.5	50	23.9	111	53.1
	16. Employees' behaviour with customers	1	0.5	7	3.3	31	14.8	75	35.9	95	45.5
	17. Knowledge and understanding of bank employees	0	0	3	1.4	17	8.1	88	42.1	101	48.3
Empathy	18. Bank caring for customers	12	5.7	15	7.2	35	16.7	104	49.8	43	20.6
	19. Suitability of opening hours for customers	13	6.2	7	3.3	26	12.4	100	47.8	63	30.1
	20. Employees attention to customers	4	1.9	8	3.8	43	20.6	91	43.5	63	30.1
	21. Bank attention to the interest of customers	0	0	4	1.9	31	14.8	101	48.3	73	34.9
	22. Bank employees' awareness of customer needs	4	1.9	7	3.3	42	20.1	102	48.8	54	25.8
	Average	3	1	8	4	35	16	91	44	72	35

The results in table 5.9 indicate a high level of similarity in both banks with regards to high expectations in several areas, in which the highest rated expectations were closely linked to item 1 (*using modern, relevant equipment in the dimension of tangibility*), with a mean value of 4.69 in public banks. On the other hand, in the case of private banks,

the item with the highest mean is item 9 (*bank records in the dimension of reliability*), with a mean value of 4.44. In the case of the public banks, 10 of the highest expectations are:

- Item 17, (knowledge and understanding of bank employees), with a mean value of 4.40.
- Item 22, (bank employees' awareness of customer needs), with a mean value of 4.36.
- Item 20, (employees attention to customers), with a mean value of 4.31.
- Item 3, (the appearance of bank employees), with a mean value of 4.31.
- Item 21, (the banks interest in its customers), with a mean value of 4.29.
- Item 4 (suitability of the bank's appearance with the nature of service provided), with a mean value of 4.23.
- Item 2, (the physical facilities of the bank), with a mean value of 4.18.
- Item 14, (the impact of employees' behaviour on customers), with a mean value of 4.14.
- Item 12, (willingness to help customers), with a mean value of 4.13.
- Item 9, (bank records), with a mean value of 4.10.

(The mean for all of these items is > 4.00 on the five point Likert scale). Obviously, all of these service components were related to the assurance (items 14 and 17), empathy (items 20, 21 and 22), reliability (item 9), responsiveness (item 12) and tangible (items 2, 3 and 4) dimensions of service quality.

In addition, in relation to private banks, 11 of the highest expectations included items, such as:

- Item 17, (knowledge and understanding of bank employees), with a mean value of 4.37.
- Item 1, (using up-to-date equipment), with a mean value of 4.36.

- Items 14, (the impact of employees' behaviour on customers), with a mean value of 4.35.
- Item 15, (customers' treatment by the bank), with a mean value of 4.28.
- Items 3, (the appearance of bank employees), with a mean value of 4.27.
- Item 16, (employees' behaviour with customers), with a mean value of 4.22.
- Item 6, (banks sympathy with customers' problems), with a mean value of 4.19.
- Item 21, (banks attention to its customers), with a mean value of 4.16.
- Item 10, (informing customers from the time of providing service), with a mean value of 4.08.
- Item 12, (willingness to help customers), with a mean value of 4.07.
- Item 4, (suitability of banks appearance with the nature of the service provided), with a mean value of 4.06.

(The mean of all these items is > 4.05 on the 5 point Likert scale. Obviously, all of these service components are related to the tangible (items 1, 3 and 4), reliability (item6), responsiveness (items 10 and 12), assurance (items 14,15and 16) and empathy (item21) dimensions of service quality.

Other areas of high customers' expectations contained items of slightly less significance. These included:

- Item 19, (suitability of opening hours for customers) and item 8, (providing service at the time promised) in both public and private banks with a mean value of 3.99 and 3.99 respectively.
- Item 10, (telling customer from the time of providing service), with a mean value of 3.96, item 15, (customers' treatment by the bank), with a mean value of 3.95, item 16, (employees' behaviour with customers), with a mean value of 3.89 and item 18, (bank caring for customers), with a mean value of 3.80 in the public

banks (means of all these items attained between 3.70 and 4.00 on the 5 point Likert scale)

- Item 20, (employees attention to customers), with a mean value of 3.96, item 2, (the physical facilities of the bank), with a mean value of 3.95, item 22, (bank employees' awareness of customer needs), with a mean value of 3.93 and item 5, (the banks' promises to customers), with a mean value of 3.83 in the private banks (Means of all these items attained between 3.84 and 4.05 on the 5 point Likert scale).

These expectations related to different dimensions between the public and private banks, and centred on reliability, responsiveness and assurance dimensions in public banks and the tangibility, assurance and empathy dimensions in private banks.

Conversely, the service components, which received the lowest expectation ratings, were also very similar in both banks. With specific consideration to a few items, in public banks:

- Item 5, (the banks' promises to customers), with a mean value of 3.65.
- Item 13, (responding to customers' requests), with a mean value of 3.51.
- Item 11, (provide services promptly and quickly to customers), of with a mean value of 3.49.
- Item 7, (providing excellent service to the customer from the first time), with a mean value of 3.32.
- Item 6, (banks sympathy with customers' problems), with a mean value of 3.02, had comparatively low scores.

On the other hand, in private banks lower expectations include items such as:

- Item 11, (provide services promptly to customers), with a mean value of 3.81.
- Item 13, (responding to customers' requests), with a mean value of 3.78.
- Item 18, (banks care of customers), with a mean value of 3.72.

- Item 7, (providing excellent service to the customer from the first time), with a mean value of 3.52, had comparatively low scores.

The aforementioned results emphasise key differences between the responses of consumers of private banks and the responses of consumers of public banks, when questioned on their service quality-related expectations, in relation to the 22 items and/or 5 service quality dimensions of the SERVQUAL. There are statistically significant differences at the 5% level between customers' expectations in both banks with regard to the following ten items (1, 2, 9, 11, 13, 14, 15, 16, 20 and 22), and for four dimensions i.e. the tangibility; reliability; assurance and empathy. As an example, consider item 1, where the mean value for public banks is 4.69, whilst the mean for private banks is 4.36 with a t value of 5.80 and p-value 0.001 (<0.05.) There is a statistically significant difference at the 5% level. These significant differences illustrate that in the main, customers' expectations were higher in the private banks than in the public banks in the items (9, 11, 13, 14, 15 and 16). For example, for item 9 the mean score for private banks is 4.44, while that for public banks is 4.10.

Statistically, the mean differences between the customers of the private and public banks in table 5.9 are significantly related to a number of different items, namely:

- Item 1, (using up-to-date equipment),
- Item 2, (the physical facilities of the bank),
- Item 9, (banks records),
- Item 11, (provide services promptly to customers),
- Item 13, (responding to customers' requests),
- Item 14, (the impact of employees' behaviour on customers),
- Item 15, (customers' treatment by the bank),
- Item 16, (employees' behaviour with customers),
- Item 20, (employees attention to customers),
- Item 22, (bank employees' awareness of customer needs).

A positive t statistic of 5.80 for item 1, (using up-to-date equipment) denotes that customer' expectations of public banks were higher than those of private banks for this item.

In general the mean score of expectation of the item 1 for customers of the public banking sector is 4.69, and for customers of the private banking sector is 4.36. By contrast, however, a negative t statistic for:

- Item 11, (provide services promptly to customers), with scores of -2.71 ,
 - Item 16, (employees' behaviour with customers), with scores of -3.68 ,
 - Item 15, (customers' treatment by the bank), with scores of -3.59 ,
 - Item 9, (banks records) with scores of -3.57 ,
 - Item 13, (responding to customers' requests), with scores of -2.36 ,
 - Item 14, (the impact of employees' behaviour on customers), with scores of -2.32 ,
- indicates that the expectations held by the customers of private banks were greater than those of public banking establishments (table 5.9). For the item 16, the mean score for private banks is 4.22, while the mean score for public banks is 3.89. For item 15, the mean score for private banks is 4.28 vs. 3.95 for the public banks. For the items (9, 11, 13 and 14), the mean score for private banks is 4.44, 3.81, 3.78 and 4.35 vs. 4.10, 3.49, 3.51 and 4.14 for public banks.

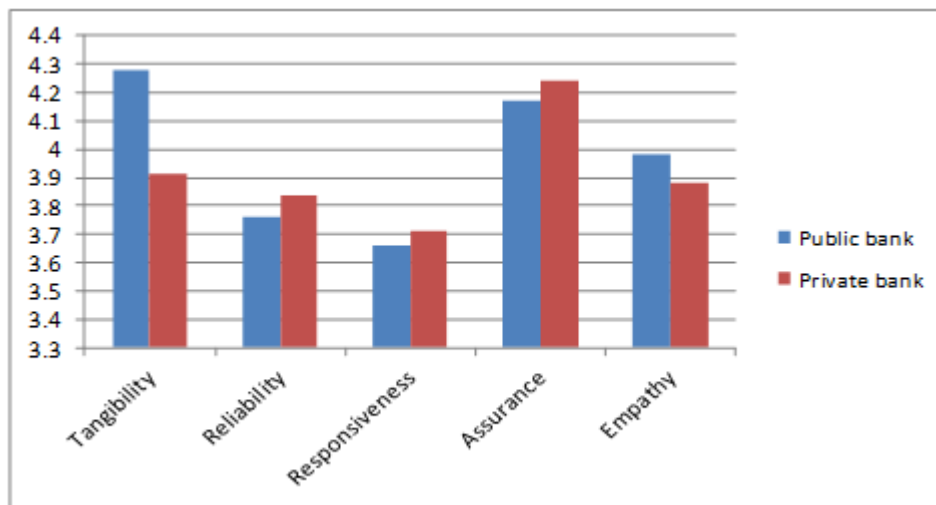
Table 5-9 Service quality expectations of customers of the public and private bank

Dimension	items	Public bank	Private bank		
		Mean of bank	Mean of bank	T	Sig
Tangibility	1. Using up-to-date equipment	4.69	4.36	5.80	.000
	2. The physical facilities of the bank	4.18	3.95	2.89	.004
	3. The appearance of bank employees	4.31	4.27	.533	.594
	4. Suitability of bank appearance with the nature of service provided	4.23	4.06	1.88	.060
Mean scores		4.35	4.16	3.887	.000
Dimension	items	Public bank	Private bank	T	Sig
Reliability					
	5. The banks' promises to customers	3.65	3.83	-1.708	.088
	6. Bank sympathy with customers' problems	3.02	4.19	-1.87	.062
	7. Providing proper service to the customer the first time	3.32	3.52	-1.68	.092
	8. Providing service at the time promised	3.85	3.99	-1.36	.173
	9. Bank records	4.10	4.44	-3.57	.000
Mean scores		3.79	4.00	-3.222	.001
Dimension	items	Public bank	Private bank	T	Sig
Responsiveness	10. Telling customer from the time of providing service	3.96	4.08	-1.31	.191
	11. Provide services promptly and quickly to customers	3.49	3.81	-2.71	.007
	12. Willingness to help customers	4.13	4.07	.668	.505
	13. Responding to customers' requests	3.51	3.78	-2.36	.018
Mean scores		3.77	3.93	-2.516	0.12
Dimension	items	Public bank	Private bank	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.14	4.35	-2.32	.021
	15. Customers' treatment by the bank	3.95	4.28	-3.59	.000
	16. Employees' behaviour with customers	3.89	4.22	-3.68	.000
	17. Knowledge and understanding of bank employees	4.40	4.37	.303	.762
Mean scores		4.10	4.31	-3.489	.001
Dimension	items	Public bank	Private bank	T	Sig
Empathy	18. Bank caring for customers	3.80	3.72	.721	.471
	19. Suitability of opening hours for customers	3.99	3.92	.579	.563
	20. Employees attention to customers	4.31	3.96	4.13	.000
	21. Bank attention to the interest of customers	4.29	4.16	1.50	.134
	22. Bank employees' awareness of customer needs	4.36	3.93	4.30	.000
Mean scores		4.15	3.94	3.236	.001

It can be seen from figure 5.1 below that the expectations of the private banks' customers were higher than the expectation of the public banks' customers in the three dimensions of reliability, responsiveness and assurance, whereas, the expectation of public banks' customers were higher in two dimensions tangibility and empathy. Figure 5.1 depicts graphical representations of the mean scores of the service quality expectations for the customers of both private and public banks with regard to the five service quality dimensions.

Moreover, it can also be noted from the figure below that the largest difference is related to the tangibility dimension, (the average score for customer expectation is 4.35 for the public banking sector and 4.16 for the private banking sector), followed by the assurance dimension, (the average score for customer expectation is 4.31 for the private banking sector, and 4.10 for the public banking sector). Subsequently, the services portfolio dimension is followed by the empathy dimension, (the average score for customer expectation is 4.15 for the public banking sector and 3.94 for the private banking sector), the reliability dimension, (the average score for customer expectation is 4.00 for the private banking sector and 3.79 for the public banking sector), and the responsiveness dimension, (the average score for customer expectation is 3.93 for the private banking sector and 3.77 for the public banking sector). However, conducting the Independent-Samples T-Test will help to explore the significant differences statistically between the two banking sectors with respect to service quality dimensions.

Figure 5-1 Levels of Customers' perceptions of Service Quality in Private and Public Banks



In line with the five service quality-related dimensions detailed in table 5.10, it can be noted that the expectations held by the customers of both types of bank are comparable across the (responsiveness) dimension; however, differences can be seen in relation to (tangibility, reliability, assurance and empathy). However, there was a significant difference between the two groups with regard to the tangibility, reliability, assurance and empathy dimensions. For the reliability dimension the mean for private banks is 4.00, whilst the mean for public banks is 3.79 with a t value of -3.222 and p-value of 0.001 (<0.05); for the assurance dimension, the mean for private banks is 4.31, whilst the mean for public banks is 4.10 with t value of -3.489 and p value of 0.001 (<0.05), thus, depicting that private bank customers' expectations were greater than the expectations held by public bank customers.

Finally, it was established through the application of an independent sample t-test that despite there being no significant differences in overall service quality expectations, as held by customers of both types of bank, the mean values for customer expectations with regard to service quality show notable differences between private and public banks, in relation to ten items:

- Item 1, (using up-to-date equipment), the p-value was .000.
- Items 2, (the physical facilities of the bank), the p-value was .004.

- Item 9, (banks records), the p-value was .000.
- Item 11, (informing customers from the time of providing the service), the p-value was .007.
- Item 13, (responding to customers' requests), the p-value was .018.
- Items 14, (the impact of employees' behaviour on customers), the p-value was 021.
- Item 15, (customers' treatment by the bank), the p-value was .000.
- Item 16, (employees' behaviour with customers), the p-value was .000.
- Item 20, (employees' attention to customers), the p-value was .000.
- Item 22, (bank employees' awareness of customer needs), the p-value was .000, for the dimensions of tangibility, reliability, assurance and empathy because the probability (p-value) of these items and this dimension is less than 5%, as can be noticed in tables 5.9 and table 5.10.

Table 5-10 Customers' expectations of the five service quality dimensions of public and privat

Dimensions	Public bank	Private bank	t	Sig
Tangibility	4.35	4.16	3.887	.000
Reliability	3.79	4.00	-3.222	.001
Responsiveness	3.77	3.93	-2.516	0.12
Assurance	4.10	4.31	-3.489	.001
Empathy	4.15	3.94	3.236	.001
Overall(mean of dimensions)	4.30	4.07	-.859	.391

Consequently, it can be stated that the null hypothesis (HO1) is rejected, as overall there are no significance differences between private and public banks in connection with customers' expectations. However, looking at the five dimensions, we can see that there are significant statistical differences between private and public banks in customer expectations. The dimensions of tangibility and empathy of the public banks are superior when compared to the private banks; the mean score of the tangibility dimension for public banks is 4.35 vs. 4.16 for private ($p=0.001 < 0.05$); the mean score for the empathy

for public banks is 4.15 vs. 3.94 for private ($p=0.001 < 0.05$). The reliability and assurance dimensions for private banks are better than public banks; where the mean score for the reliability dimension for private banks is 4.00 vs. 3.79 for public ($p=0.001 < 0.05$), the mean score of the assurance dimension for private is 4.31 vs. 4.10 for public banks ($p=0.001 < 0.05$).

For the responsiveness dimension there is no statistically significance difference between private and public banks. The mean for private banks is 3.93 and for public is 3.77 with $p=0.12 > 0.012$.

4.6.2.2 Testing hypothesis 2, (banks customers' perceptions of service quality)

The banks' customers hold varying opinions on the quality of service of public and private banks. Generally, in terms of the perceptions held by customers, performance is viewed as being higher in the case of private banks, as opposed to public, as could be seen across all of the service quality dimensions and items. The scores surrounding perception are measured on a five-point Likert scale, where an improved perception of the service is observed through a higher score. Moreover, the implementation of the t-test is undertaken, in order to establish the degree of difference between both perception groups.

The customer perception frequencies, in the case of private and public banks can be seen in tables 5.11 and 5.12. The findings highlight that the frequencies of customers' perceptions in the private and public banks centred on points with which they agree and strongly agree. More specifically, 91 and 63 of 216 responses in public banks are in agree and strongly agree, correspondingly, whilst the customers of private banks, totalling 209, showed agree and strongly agree as 58 and 92, respectively.

Table 5-11 Customers' perception frequencies in public banks

Dimension	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	0	0	0	0	8	3.7	58	26.9	150	69.4
	2. The physical facilities of the bank	1	0.5	8	3.7	45	20.8	90	41.7	72	33.3
	3. The appearance of bank employees	1	0.5	11	5.1	28	13	49	22.7	127	58.8
	4. Suitability of bank appearance with the nature of service provided	5	2.3	18	8.3	16	7.4	88	40.7	89	41.2
Reliability	5. The banks' promises to customers	27	12.5	21	9.7	50	23.1	74	34.3	44	20.4
	6. Bank sympathy with customers' problems	6	2.8	8	3.7	32	14.8	74	34.3	96	44.4
	7. Providing proper service to the customer the first time	25	11.6	51	23.6	50	23.1	31	14.4	59	27.3
	8. Providing service at the time promised	8	3.7	21	9.7	23	10.6	74	34.3	90	41.4
	9. Bank records	6	2.8	13	6	46	21.3	57	26.4	94	43.5
Responsiveness	10. Telling customer from the time of providing service	4	1.9	15	6.9	35	16.2	99	45.8	63	29.2
	11. Provide services promptly and quickly to customers	37	17.1	47	21.8	43	19.9	43	19.9	46	21.3
	12. Willingness to help customers	7	3.2	12	5.6	15	6.9	58	26.9	124	57.4
	13. Responding to customers' requests	22	10.2	45	20.8	43	19.9	50	23.1	56	25.9
Assurance	14. The impact of employees' behaviour on customers	12	5.6	8	3.7	24	11.1	62	28.7	110	50.9
	15. Customers' treatment by the bank	17	7.9	1	0.5	35	16.2	45	20.8	118	54.6
	16. Employees' behaviour with customers	5	2.3	7	3.2	66	30.6	26	12	112	51.9
	17. Knowledge and understanding of bank employees	5	2.3	5	2.3	30	13.9	51	23.6	125	57.9
Empathy	18. Bank caring for customers	8	3.7	10	4.6	44	20.4	91	42.1	63	29.2
	19. Suitability of opening hours for customers	7	3.2	8	3.7	37	17.1	89	41.2	75	34.7
	20. Employees attention to customers	6	2.8	9	4.2	65	30.1	78	36.1	58	26.9
	21. Bank attention to the interest of customers	9	4.2	20	9.3	21	9.7	49	22.7	117	54.2
	22. Bank employees' awareness of customer needs	19	8.8	11	5.1	16	7.4	55	25.5	115	53.2
	Average	11	5	16	7	35	17	63	29	91	42

Table 5-12 Customers' perceptions frequencies in private banks

Dimension	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	1	0.5	1	0.5	29	13.9	115	55	63	30.1
	2. The physical facilities of the bank	3	1.4	13	6.2	62	29.7	97	46.4	34	16.3
	3. The appearance of bank employees	0	0	5	2.4	31	14.8	115	55	58	27.8
	4. Suitability of bank appearance with the nature of service provided	1	0.5	13	6.2	71	34	80	38.3	44	21.1
Reliability	5. The banks' promises to customers	2	1	26	12.4	49	23.4	91	43.5	41	19.6
	6. Bank sympathy with customers' problems	1	0.5	7	3.3	39	18.7	99	47.4	63	30.1
	7. Providing proper service to the customer the first time	5	2.4	34	16.3	71	34	73	34.9	26	12.4
	8. Providing service at the time promised	0	0	18	8.6	48	23	100	47.8	43	20.6
	9. Bank records	1	0.5	3	1.4	21	10	95	45.5	89	42.6
Responsiveness	10. Telling customer from the time of providing service	3	1.4	10	4.8	37	17.7	109	52.2	50	23.9
	11. Provide services promptly and quickly to customers	9	4.3	30	14.4	57	27.3	78	37.3	35	16.7
	12. Willingness to help customers	0	0	8	3.8	50	23.9	110	52.6	41	19.6
	13. Responding to customers requests	9	4.3	30	14.4	46	22	87	41.6	37	17.7
Assurance	14. The impact of employees' behaviour on customers	4	1.9	5	2.4	41	19.6	76	36.4	83	39.7
	15. Customers' treatment by the bank	3	1.4	4	1.9	25	12	79	37.8	98	46.9
	16. Employees' behaviour with customers	0	0	1	0.5	21	10	98	46.9	89	42.6
	17. Knowledge and understanding of bank employees	0	0	3	1.4	23	11	95	45.5	88	42.1
Empathy	18. Bank caring for customers	5	2.4	16	7.7	61	29.2	84	40.2	43	20.6
	19. Suitability of opening hours for customers	3	1.4	7	3.3	38	18.2	78	37.3	83	39.7
	20. Employees attention to customers	3	1.4	10	4.8	64	30.6	87	41.6	45	21.5
	21. Bank attention to the interest of customers	1	0.5	10	4.8	47	22.5	95	45.5	56	26.8
	22. Bank employees' awareness of customer needs	7	3.3	11	5.3	46	22	78	37.3	67	32.1
	Average	3	1	12	6	44	21	92	44	58	28

The findings gathered through this assessment, relating to both types of bank are shown in table 5.13. The results suggest that all the mean responses for the items, and the five service quality related dimensions in the public banks, with the exception of seven items in the case of the public banks, exceeded 4.00 on the five point Likert scale, specifically,

- Item 10, (informing customers from the time of providing the service), with a mean value of 3.93.
- Item 18, (banks care of its customers), with a mean value of 3.88.
- Item 20, (employees attention to customers), with a mean value of 3.80.
- Item 5, (banks' promises to customers), with a mean value of 3.40.
- Item 13, (responding to customers' requests), with a mean value of 3.34.
- Item 7, (providing excellent service to the customer from the first time), with a mean value of 3.22.
- Item 11, (provide services promptly to customers), with a mean value of 3.06.

Whereas, that all the mean responses for the items, and the five service quality related dimensions in the public banks, with the exception of seven items in the case of the public banks, exceeded 4.00 on the five point Likert scale, specifically:

- Item 16, (employees' behaviour with customers), with a mean value of 4.32.
- Item 17, (knowledge and understanding of bank employees), with a mean value of 4.28.
- Item 9, (banks records), with a mean value of 4.28.
- Item 15, (customers' management by the bank), with a mean value of 4.27.
- Item 1, (using up-to-date equipment), with a mean value of 4.14.
- Item 19, (suitability of opening hours for customers), with a mean value of 4.11.

- Item 14, (the impact of employees' behaviour on customers), with a mean value of 4.10.
- Item 3, (the appearance of bank employees), with a mean value of 4.08.
- Item 6, (banks sympathy with customers' problems), with a mean value of 4.03.

With regards to the perceptions of customers, the findings collected can be seen in table 5.13, which shows clear differences between these perceptions in private and public banks. The highest rated perceptions of the public banks were seen to be keenly associated in connection with the following items:

- Item 1, (using up-to-date equipment), with a mean value of 4.66.
 - Item 3, (the appearance of bank employees), with a mean value of 4.34.
 - Item 17, (knowledge and understanding of bank employees), with a mean value of 4.32.
 - Item 12, (willingness to help customers), with a mean value of 4.30.
 - Item 14, (the impact of employees' behaviour on customers), with a mean value of 4.16.
 - Item 6, (banks sympathy with customers' problems), with a mean value of 4.14.
 - Item 15, (customers' treatment by the bank), with a mean value of 4.14.
 - Item 21, (banks attention to the interest of customers), with a mean value of 4.13.
 - Item 4, (suitability of bank appearance with the nature of service provided), with a mean value of 4.10.
 - Item 22, (employees' awareness of customer needs), with a mean value of 4.09.
 - Item 16, (employees' behaviour with customers), with a mean value of 4.08.
 - Item 2, (the physical facilities of the bank), with a mean value of 4.03.
 - Item 9, (banks records), with a mean value of 4.01.
 - Item 8, (providing service at the promised times), with a mean value of 4.00.
 - Item 19, (suitability of opening hours for customers), with a mean value of 4.00.
- These centred on tangibility, reliability, responsiveness assurance, and empathy dimensions.

However, in private banks the highest rated perceptions were closely linked to the following items:

- Item 1, (using up-to-date equipment), with a mean value of 4.14.
- Item 3, (the appearance of bank employees), with a mean value of 4.08 for tangibility.
- Item 9, (banks records), with a mean value of 4.28.
- Item 6, (banks sympathy with customers' problems), with a mean value of 4.03 of the reliability dimension.
- Item 16, (employees' behaviour with customers), with a mean value of 4.32.
- Item 17, (knowledge and understanding of bank employees), with a mean value of 4.28.
- Item 15, (customers' treatment by the bank), with a mean value of 4.27.
- Item 14, (the impact of employees' behaviour on customers), with a mean value of 4.10, with regard to assurance.
- Item 19, (suitability of opening hours for customers) with a mean value of 4.1 was shown to have a close link with the empathy dimension.

In relation to public banks, the next highest ratings of customers' perceptions were seen with regard to the following items:

- Item 10, (informing customers from the time of providing the service), with a mean value of 3.93.
- Item 18, (banks care of customers), with a mean value of 3.88.
- Item 20, (employees attention to customers), with a mean value of 3.80. All of which constitute the empathy and responsiveness dimensions.

On the other hand, with regards to private banks, the next highest ratings of customers' perceptions included:

- Item 4, (suitability of the banks appearance with the nature of service provided), with a mean value of 3.73 from the tangibility dimension.
- Item 2, (the physical facilities of the bank), with a mean value of 3.70 from the tangibility dimension.
- Item 8, (providing service at the time promised), with a mean value of 3.80 from the reliability dimension;
- Item 10, (informing customers from the time of providing the service), with a mean value of 3.92 from the responsiveness dimension.
- Item 12, (willingness to help customers), with a mean value of 3.88 from responsiveness dimensions.
- Item 21, (banks attention to the interest of customers), with a mean value of 3.93 from the empathy dimension.
- Item 22, (bank employees' awareness of customer needs), with a mean value of 3.89 from the empathy dimension.
- Item 20, (employees attention to customers), with a mean value of 3.77 from the empathy dimension.

Across both types of bank, the service components assigned the lowest perception ratings included these items:

- Item 5, (the banks' promises to customers), with a mean value of 3.40.
- Item 13, (responding to customers' requests), with a mean value of 3.34.
- Item 7, (providing excellent service to the customer from the first time), with a mean value of 3.22.
- Item 11, (provide services promptly to customers), with a mean value of 3.06.
- Item 18, (banks care of its customers), with a mean value of 3.69 was also included, in relation to private banks. These service components were linked with

the responsiveness and reliability of both types of banks, with an addition to the empathy dimension for private banks.

As shown in table 5.13, customers of the public banks were found to have rated their bank service at a higher level than those of private banks, for 14 of the 22 items, specifically, (1, 2, 3, 4, 6, 8, 10, 12, 14, 17, 18, 20, 21 and 22). For the remaining 8 items, private bank customers rate their banks as being better. For instance, for item 1, (using up-to-date equipment), the mean for the public bank is 4.66, whilst for private it is 4.14. This indicates that customers of the public banks perceived receiving a higher level of service quality than customers of the private banks for the 14 items, whilst for the 8 items, namely (5, 7, 9, 11, 13, 15, 16 and 19) private banks are observed as being better than public banks. For example, for item 5, (the banks' promises to customers), the mean for private bank is 3.68, whilst that of the public banks is 3.40.

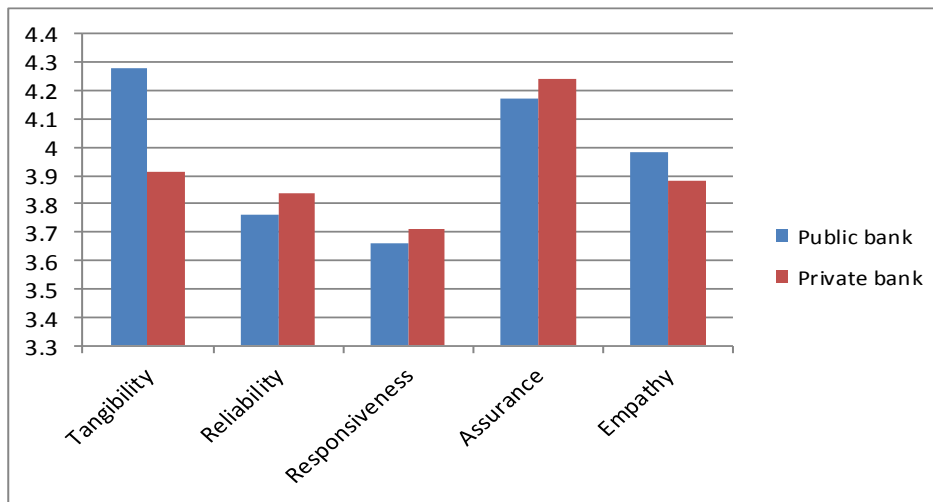
Table 5-13 Service quality perceptions of customers of the public and private bank

Dimension	items	Public bank	Private bank	T	Sig
		Mean of bank	Mean of bank		
Tangibility	1. Using up-to-date equipment	4.66	4.14	8.54	.000
	2. The physical facilities of the bank	4.03	3.70	4.05	.000
	3.The appearance of bank employees	4.34	4.08	3.25	.001
	4.Suitability of bank appearance with the nature of service provided	4.10	3.73	4.02	.000
Mean scores		4.28	3.91	6.928	.000
Dimension	items	Public bank	Private bank	T	Sig
Reliability	5. The banks' promises to customers	3.40	3.68	-2.57	.010
	6.Bank sympathy with customers' problems	4.14	4.03	1.19	.232
	7. Providing proper service to the customer the first time	3.22	3.39	-1.42	.156
	8. Providing service at the time promised	4.00	3.80	2.06	.039
	9. Bank records	4.01	4.28	-2.94	.003
Mean scores		3.76	3.84	-1.313	.190
Dimension	items	Public bank	Private bank	T	Sig
Responsiveness	10. Telling customer from the time of providing service	3.93	3.92	.134	.894
	11. Provide services promptly and quickly to customers	3.06	3.48	-3.42	.001
	12. Willingness to help customers	4.30	3.88	4.70	.000
	13. Responding to requests customers'	3.34	3.54	-1.72	.086
Mean scores		3.66	3.71	-.669	.504
Dimension	items	Public bank	Private bank	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.16	4.10	.619	.536
	15. Customers' treatment by the bank	4.14	4.27	-1.28	.201
	16. Employees' behaviour with customers	4.08	4.32	-2.71	.007
	17. Knowledge and understanding of bank employees	4.32	4.28	.508	.612
Mean scores		4.17	4.24	-1.075	.283
Dimension	items	Public bank	Private bank	T	Sig
Empathy	18. Bank caring for customers	3.88	3.69	2.04	.041
	19. Suitability of opening hours for customers	4.00	4.11	-1.09	.274
	20. Employees attention to customers	3.80	3.77	.337	.736
	21. Bank attention to the interest of customers	4.13	3.93	2.02	.044
	22. Bank employees' awareness of customer needs	4.09	3.89	1.76	.078
Mean scores		3.98	3.88	1.648	.100

It can be seen from figure 5.2 below that the perceptions of public banks' customers were higher than the perception of private banks' customers in two dimensions, that is tangibility and empathy, whereas, the perception of private banks' customers were higher than the perception of public banks' customers in three dimensions, namely reliability, responsiveness and assurance. Figure 5.3 depicts graphical representations of the mean scores for service quality perceptions for the customers of both private and public banks, with regards to the five service quality dimensions.

Moreover, it can also be noted from the figure above that the principal difference is related to the tangibility dimension, (the average score of customer perception is 4.28 for the public banking sector and 3.91 for the private banking sector), followed by the assurance dimension, (the average score of customer perception is 4.24 for the private banking sector and 4.17 for public banking sector), then, the services portfolio dimension followed by the empathy dimension, (the average score of customer perception is 4.98 for the public banking sector and 3.88 for the private banking sector), the reliability dimension, (the average score of customer perception is 3.84 for the private banking sector and 3.76 for public banking sector), and the responsiveness dimension, (the average score for customer perception is 3.71 for the private banking sector and 3.66 for public banking sector). However, conducting the Independent-Samples T-Test will help to explore the significant differences statistically between the two banking sectors with respect to service quality dimensions.

Figure 5-2 Levels of Customers' perceptions of Service Quality in Private and Public Banks



During the implementation of the t-test, which concentrated on the dissimilarities between the two categories' mean scores, as shown in table 5.14, it can be seen that there were statistically significant differences at a 5% level amongst 12 of the items. In fact, the statistical significant test regarding the mean score differences of the two banks established that 12 variables were most significant. Accordingly, there is a different level of perceived quality among customers of the two banks.

Table 5-14 Significant differences between perceptions of customers of the public and private banks

Dimensions	NO	Items	T value*	Sig
Tangibility	1	Using up-to-date equipment	8.54	.000
	2	The physical facilities of the bank	4.05	.000
	3	The appearance of bank employees	3.25	.001
	4	Suitability of bank appearance with the nature of service provided	4.02	.000
Reliability	5	The banks' promises to customers	-2.57	.010
	8	Providing service at the time promised	2.06	.039
	9	Bank records	-2.94	.003
Responsiveness	11	Provide services promptly and quickly to customers	-3.42	.001
	12	Willingness to help customers	4.70	.000
Assurance	16	Employees' behaviour with customers	-2.71	.007
Empathy	18	Bank caring for customers	2.04	.041
	21	Bank attention to the interest of customers	2.02	.044

**t value is the test statistics that help to find the difference between banks*

According to the five services quality dimensions, as shown in table 5.15, the results show that customers' perception of private and public banks are similar in four dimensions (reliability, responsiveness, assurance and empathy), although they differ in the remaining dimension (tangibility). However, there was a significant difference between the two groups with regard to the tangibility dimension ($p = .000$), in which a negative t statistic (6.928) for these dimensions denotes that customers' expectations of public banks were higher than those of private banks.

Table 5-15 Customers' perceptions of the five service quality dimensions of public and private bank

Dimension	Public bank	Private bank	t	Sig
Tangibility	4.28	3.91	6.928	.000
Reliability	3.76	3.84	-1.313	.190
Responsiveness	3.66	3.71	.669	.504
Assurance	4.17	4.24	- 1.075	.283
Empathy	3.98	3.88	1.648	.100
Overall (mean of dimensions)	3.98	3.91	1.91	.233
t is the score				
Sig is the level of significance (5%)				
Responses are measured on a Five-point scale in which higher values mean better expectations				

Note: Constructed by the researcher and based on field data gathered as part of this investigation

Therefore, it can be stated that the null hypothesis (HO₂) is rejected as overall, since there are no significance differences between private and public banks in relation to customers' perception. However looking at the five dimensions, we can see that in table 5.15, there are statistically significant differences between private and public banks in customer perceptions. However, this is not in all but only in the tangibility dimension that public banks are better than private banks; the mean score of the tangibility dimension for the public banks is 4.28 vs. 3.91 for the private banks ($p=0.001 < 0.05$).

For the reliability, responsiveness and assurance dimensions, there is no statistically significant difference between private and public banks. The means for private banks are 3.84, 3.71 and 4.24 respectively. For public banks they are 3.76, 3.66 and 4.17 and where $p=0.190, 0.504$ and $0.283 > 0.05$.

For the empathy dimension, there is no statistically significant difference between private and public banks. The mean for the public banks is 3.98 and that for the private banks is 3.88, where $p=0.100 > 0.05$.

4.6.2.3 Testing hypothesis 3, (customers' expectations versus perceptions of actual service delivery)

Customers' perceptions and expectations regarding service delivery need to be analysed in terms of differences. This can be achieved through examining how the responses to the 22 questions contrast between expectations and actual service delivery. As has been demonstrated through prior research studies (Parasuraman et al., 1988, 1991), the gaps in service quality can be measured by taking perceptions of the service provided and subtracting consumer expectations. This was undertaken with the differences compared with the five dimensions of the SERVQUAL instrument using the paired t test. Notably, the sample produced a mean difference for each of the 22 questions, with the difference being expectations minus perceptions ($D=E-P$).

If the expectations responses were higher than the perceptions responses, then necessarily, the score would be negative. Thus, a negative score indicates the existence of a service quality gap. The service provider is not meeting the customers' expectations and this could lead to dissatisfaction. On the other hand, a positive difference is recorded if the result of the performance exceeded customer expectations for service quality. A positive difference indicates an area of strength and a competitive advantage for the service provider. As can be seen upon reviewing table 5.16, the results show that the expectations of the public banks' customers were greater than their perceptions of actual service delivery in 13 items. However, perceptions of the customers of public banks were seen to be greater than their expectations of actual service delivery in 9 items, as shown in table 5.16. Although the findings detailed in table 5.17 suggest that private banks' customer expectations were greater than their perceptions of actual delivery in 20 items, the remaining items 16, (Employees' behaviour with customers) and 19, (Suitability of opening hours for customers) showed that customer perception in the private banks was greater than their expectation of actual service delivery in 2 items.

The gap between customers' expectations and perceptions of services provided by public and private banks is generally widest in many items in public banks. Even though there is a similarity in the gap between customers' expectations and perceptions of service quality in both banks, this gap as shown in tables 5.16 and 5.17 is greater in the public banks than those of private bank in many of the 22 items, including:

- Item 6, (banks sympathy with customers' problems), with a gap score of 1.12.

- Item 15, (customers' treatment by the bank), with a gap score of 0.19.
- Item 16, (employees' behaviour with customers), with a gap score of 0.19.
- Item 12, (willingness to help customers), with a gap score of 0.17.
- Item 8, (providing service at the time promised), with a gap score of 0.15.
- Item 18, (banks care of its customers), with a gap score of 0.08.
- Item 3, (the appearance of bank employees), with a gap score of 0.03.
- Item 14, (the impact of employees' behaviour on customers), with a gap score of 0.02.
- Item 21, (banks attention to the interest of customers), with a gap score of -0.16.
- Item 5, (the banks' promises to customers), with a gap score of -0.25.
- Item 22, (bank employees' awareness of customer needs), with a gap score of -0.27.
- Item 11, (provide services promptly to customers), with a gap score of -0.43.

Whilst in private, the gap is greater in the private banks than those of public banks in

- Item 19, (suitability of opening hours for customers), with a gap score of 0.19.
- Item 17, (knowledge and understanding of bank employees), with a gap score of -0.09.
- Item 7, (providing a proper service to the customer the first time), with a gap score of -0.13.
- Item 9, (banks records), with a gap score of -0.16.
- Item 10, (informing customers from the time of providing the service), with a gap score of -0.16.
- Item 1, (using up-to-date equipment), with a gap score of -0.22.
- Item 13, (responding to customers' requests), with a gap score of -0.24.
- Item 2, (the physical facilities of the bank), with a gap score of -0.25.
- Item 4, (suitability of the banks appearance with the nature of service provided), with a gap score of -0.33, as shown in tables 5.16 and 5.17.

Table 5-16 Gap mean differences between consumers' expectations and perceptions of service quality in the public banks

Dimension	Items	Mean of perception	Mean of expectation	Gap	T	Sig
Tangibility	1. Using up-to-date equipment	4.66	4.69	-0.03	-1.350	.179
	2. The physical facilities of the bank	4.03	4.18	-0.15	-2.445	.015
	3. The appearance of bank employees	4.34	4.31	0.03	.432	.666
	4. Suitability of bank appearance with the nature of service provided	4.10	4.23	-0.13	-1.897	.059
Mean scores		4.28	4.35	-0.07	1.92	0.056
Dimension	Items	Mean of perception	Mean of expectation	Gap	T	Sig
Reliability	5. The banks' promises to customers	3.40	3.65	-0.25	-2.984	.003
	6. Bank sympathy with customers' problems	4.14	3.02	1.12	1.491	.138
	7. Providing proper service to the customer the first time	3.22	3.32	-0.10	-1.044	.298
	8. Providing service at the time promised	4.00	3.85	0.15	1.739	.084
	9. Bank records	4.01	4.10	-0.09	-.965	.336
Mean scores		3.76	3.79	-0.03	.709	.479
Dimension	Items	Mean of perception	Mean of expectation	Gap	T	Sig
Responsiveness	10. Telling customer from the time of providing service	3.93	3.96	-0.03	-.302	.763
	11. Provide services promptly and quickly to customers	3.06	3.49	-0.43	-5.364	.000
	12. Willingness to help customers	4.30	4.13	0.17	1.852	.065
	13. Responding to customers' requests	3.34	3.51	-0.17	-2.018	.045
Mean scores		3.66	3.77	-0.11	2.32	.021
Dimension	Items	Mean of perception	Mean of expectation	Gap	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.16	4.14	0.02	.151	.880
	15. Customers' treatment by the bank	4.14	3.95	0.19	2.030	.044
	16. Employees' behaviour with customers	4.08	3.89	0.19	2.208	.028
	17. Knowledge and understanding of bank employees	4.32	4.40	-0.08	-.963	.337
Mean scores		4.17	4.10	0.07	-1.518	.130
Dimension	Items	Mean of perception	Mean of expectation	Gap	T	Sig
Empathy	18. Bank caring for customers	3.88	3.80	0.08	1.107	.270
	19. Suitability of opening hours for customers	4.00	3.99	0.01	.184	.854
	20. Employees attention to customers	3.80	4.31	-0.51	-6.336	.000
	21. Bank attention to the interest of customers	4.13	4.29	-0.16	-1.740	.083
	22. Bank employees' awareness of customer needs	4.09	4.36	-0.27	-3.164	.002
Mean scores		3.98	4.15	-0.17	3.219	.001

Table 5-17 Gap mean differences between consumers' expectations and perceptions of service quality in the private banks

Dimension	Items	Mean of perception	Mean of Expectation	Gap	t	Sig
Tangibility	1. Using up-to-date equipment	4.14	4.36	-0.22	-4.339	.000
	2. The physical facilities of the bank	3.70	3.95	-0.25	-3.537	.000
	3. The appearance of bank employees	4.08	4.27	-0.19	-3.233	.001
	4. Suitability of bank appearance with the nature of service provided	3.73	4.06	-0.33	-4.540	.000
Mean scores		3.91	4.16	-0.25	5.48	.000
Dimension	Items	Mean of perception	Mean of Expectation	Gap	T	Sig
Reliability	5. The banks' promises to customers	3.68	3.83	-0.15	-1.879	.062
	6. Bank sympathy with customers' problems	4.03	4.19	-0.16	-2.390	.18
	7. Providing proper service to the customer the first time	3.39	3.52	-0.13	-1.752	.81
	8. Providing service at the time promised	3.80	3.99	-0.19	-2.405	.017
	9. Bank records	4.28	4.44	-0.16	-2.458	.015
Mean scores		3.84	4.00	-0.16	3.77	.000
Dimension	Items	Mean of perception	Mean of Expectation	Gap	T	Sig
Responsiveness	10. Telling customer from the time of providing service	3.92	4.08	-0.16	-2.297	.023
	11. Provide services promptly and quickly to customers	3.48	3.81	-0.33	-4.284	.000
	12. Willingness to help customers	3.88	4.07	-0.19	-2.713	.007
	13. Responding to customers' requests	3.54	3.78	-0.24	-3.666	.000
Mean scores		3.71	3.93	-0.22	5.66	.000
Dimension	Items	Mean of perception	Mean of Expectation	Gap	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.10	4.35	-0.25	-3.790	.000
	15. Customers' treatment by the bank	4.27	4.28	-0.01	-.209	.835
	16. Employees' behaviour with customers	4.32	4.22	0.1	1.400	.163
	17. Knowledge and understanding of bank employees	4.28	4.37	-0.09	-1.521	.130
Mean scores		4.24	4.31	-0.07	2.03	.043
Dimension	Items	Mean of perception	Mean of Expectation	Gap	T	Sig
Empathy	18. Bank caring for customers	3.69	3.72	-0.03	-.438	.662
	19. Suitability of opening hours for customers	4.11	3.92	0.19	1.942	.053
	20. Employees attention to customers	3.77	3.96	-0.19	-2.553	.011
	21. Bank attention to the interest of customers	3.93	4.16	-0.23	-3.378	.001
	22. Bank employees' awareness of customer needs	3.89	3.93	-0.04	-.501	.617
Mean scores		3.88	3.94	-0.06	1.45	.150

According to table 5.18, the gap is greater in the public banks than those of the private banks in two service quality dimensions: assurance and empathy, (0.07 and -0.17). Conversely, the gap is greater in the private banks than those of the public banks in three service quality dimensions: tangibility, reliability and responsiveness, (-0.25, -0.16 and -0.22).

The mean group scores, as shown in table 5.18 indicate the mean gap scores by dimensions for the total consumer sample. From the table, it is noted that the greater the score in the gap, the more serious the service quality shortfall from the viewpoint of the consumers. Table 5.18 shows that this gap, calculated at the service dimensions level for each bank, is consistently negative, indicating either some dissatisfaction with the delivery of the service, or higher expectations that were unrealistic. Reliability is recognised as being one of the most important dimensions, alongside assurance, which showed a gap score of 0.07 for public banks and tangibility, with a gap score of -0.25 established for private banks.

As shown in table 5.18 below, the empathy score for public banks and responsiveness score for private banks is not necessarily significant, especially when considering these are ranked as the most important service dimension as a whole. Both the empathy and responsiveness dimensions are viewed as being the second most important in the case of public banks, although these show gaps of -0.17 and -0.11 respectively. In the case of private banks, a significant gap is seen across the most important dimensions, specifically responsiveness and reliability, with a score of -0.22 and -0.16 correspondingly. The reliability dimension shows the smallest gap between perceptions and expectations, with public banks showing -0.03. A p value of less than 0.05 indicates whether the gap is significant. However, the smallest gap between customers' expectations and perceptions is in the empathy dimension, which has a significance gap of -0.06 in the private banks respectively. Thus, it can be stated that service quality delivery shows a shortfall.

Finally, according to the findings in table 5.18, customers' expectations and perceptions of service quality in the public banks vary significantly in the dimensions of responsiveness and empathy with a significance of 0.021 and 0.01 correspondingly; whereas in the private bank, customers' expectations and perceptions of service quality is significantly different in the dimensions of tangibility, reliability, responsiveness and assurance with a significance of 0.000, 0.000, 0.000, and 0.043 respectively. According to the findings in

table 5.18 customers' expectations and perceptions of service quality in both types of commercial banks differ significantly overall in service, as the probability (p-value) of these dimensions is less than 5%, in all cases. The overall average was calculated by taking the average of the five dimensions.

Table 5-18 Customers' perceptions of the five service quality dimensions of public and private Banks

Dimensions	Mean of perception	Mean of expectation	Gap	T	Sig
Public Banks					
Tangibility	4.28	4.35	-0.07	1.92	0.056
Reliability	3.76	3.79	-0.03	.709	.479
Responsiveness	3.66	3.77	-0.11	2.32	.021
Assurance	4.17	4.10	0.07	-1.518	.130
Empathy	3.98	4.15	-0.17	3.219	.001
Overall (mean of dimensions)	4.03	3.97	0.59	2.54	0.012
Private Banks					
Tangibility	3.91	4.16	-0.25	5.48	.000
Reliability	3.84	4.00	-0.16	3.77	.000
Responsiveness	3.71	3.93	-0.22	5.66	.000
Assurance	4.24	4.31	-0.07	2.03	.043
Empathy	3.88	3.94	-0.06	1.45	.150
Overall (mean of dimensions)	3.92	4.07	.152	6.07	.000

In relation to what is stated above, the third null hypothesis is rejected owing to the key differences between the service quality perceptions and expectations of customers in both types of bank. The mean overall perception and the mean overall expectation for the public banks is 4.03 and 3.97 correspondingly. There is a statistically significant difference between the means with a t value of 2.54 and p of 0.012 (<0.05) perception. The corresponding means for private banks are 3.92 and 4.07 respectively with a t value of 6.07 and p of 0.001 (<0.05), in favour of expectation.

4.7 Summary

The chapter also examined the research hypotheses concerning the differences between private and public banks in terms of customers' expectation and perceptions of service quality. Consequently, it can be stated that the null hypothesis (HO1) is rejected, as overall there are no significance differences between private and public banks in

connection with customers' expectations. However, looking at the five dimensions, we can see that there are significant statistical differences between private and public banks in customer expectations. For the second hypothesis, it can be stated that the null hypothesis (HO2) is rejected as overall, since there are no significance differences between private and public banks in relation to customers' perception. In relation to what is stated in table 5.18, the third null hypothesis is rejected owing to the key differences between the service quality perceptions and expectations of customers in both types of bank. These hypotheses, together with a summary of the test results are shown in table 5.19 below. Based on the gap analysis for items concerning these dimensions, items such as the physical facilities of bank, the banks' promises to customers and bank sympathy with customer's problems, providing proper service to the customer the first time and providing service at the time promised are shown as the biggest gap in both banks. The major findings indicate that the gap between customers' expectations and perceptions of services provided by public and private banks is generally widest in public banks in the majority of the 22 items. The gap is greater in the public banks than those of the private bank in two service quality dimensions: assurance and empathy. On the other hand, the gap is greater in the private banks than those of the public banks in three service quality dimensions: tangibility, reliability and responsiveness. The results from the analysis indicate that these differences related to all the 22 items and the five SERVQUAL dimensions in which customer expectations in public banks were greater than their perceptions of actual service delivery either in the 13 items or the five dimensions of service quality.

Whereas, the results from the analysis indicate that these differences related to all the 22 items and the five SERVQUAL dimensions in which customer expectations in private banks were greater than their perceptions of actual service delivery either in the 20 items or the five dimensions of service quality. It indicates also that the greater gaps shown in assurance and tangibility dimensions in consideration that it appear to be the most important dimensions by the customers as a whole.

The results of the survey questionnaire, targeting a total of 425 individuals, have been presented in this chapter. The findings have been analysed, with possible indications obtained through the results that are highlighted. The data gathered was examined through the use of the SPSS software program, in addition to the application of standard statistical

analysis approaches, specifically the independent samples t-test, mean ratings and paired sample t-tests. Variance procedure analysis was adopted to establish the gap between the five dimensions of the SERVQUAL tool, in order to examine and assess the expectations and perceptions of banks' customers with regard to service quality. The findings are presented on Figures 5.3 and 5.4. Figure 5.3 indicates that for tangibility and empathy customers of public banks have a higher expectation than customers of private banks; while for reliability, responsiveness and assurance customers of private banks have higher expectations compared to customer's public banks. Looking at perceptions, customers of public banks have a higher perception for tangibility and empathy compared to customers of private banks; while customers of private banks have a higher perception for reliability, responsiveness, and assurance compared to customers of of public banks. Figure 5.4 shows the gap or variance between perceptions and expectations. As the figure shows for all but one dimension the gap is bigger for customers of private banks compared to those of public banks, the exception is empathy. Nevertheless, it is recognised that more in-depth interpretation of the findings and discussion from employees would be beneficial, and as a result, this is presented in chapter nine.

Table 5-19 Summary of hypothesis tests

Hypotheses	Decision	Conclusion
HO1. There are no significant differences in customers' expectations of service quality between Libyan commercial public and private banks.	Rejected	Expectations of ten items and tangible, Reliability, assurance and empathy dimension between both public and private banks are significantly different at less than the 0.05 level.
HO2. There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.	Rejected	Perceptions of private banks are significantly higher than that of public at less than the 0.05 level
HO3. There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks	Rejected	There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks

Figure 5-3 Levels of Customers' expectation and perceptions of Service Quality in Private and Public Banks

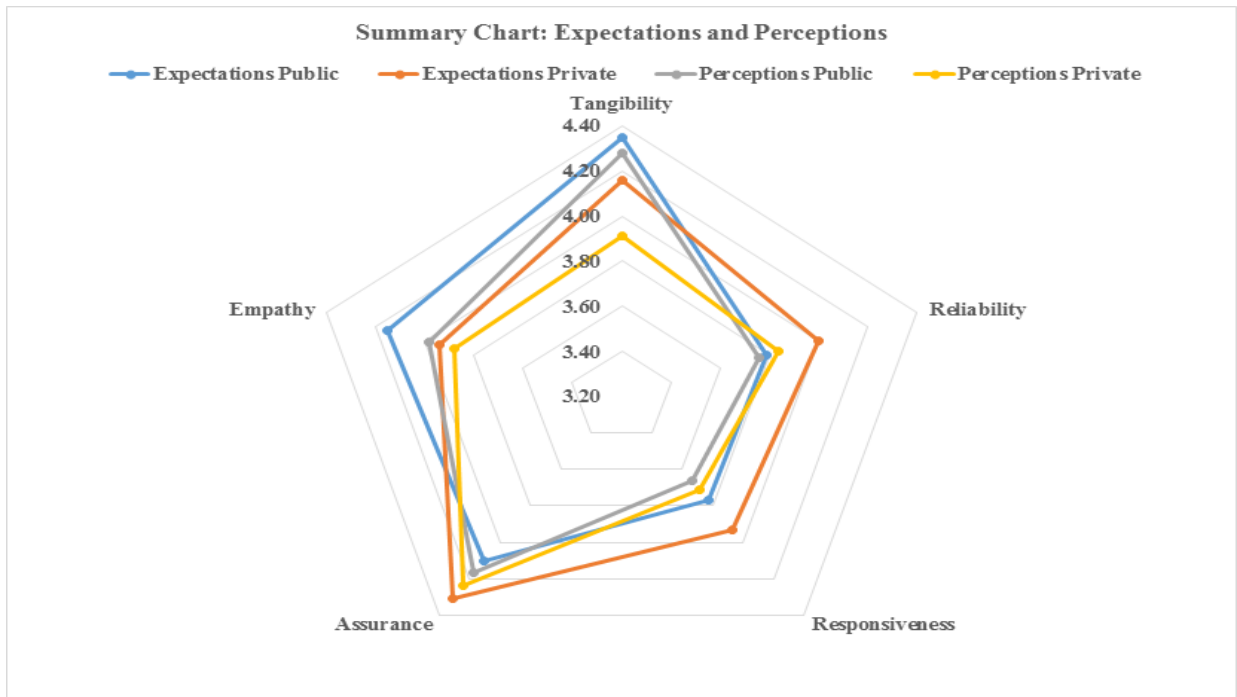
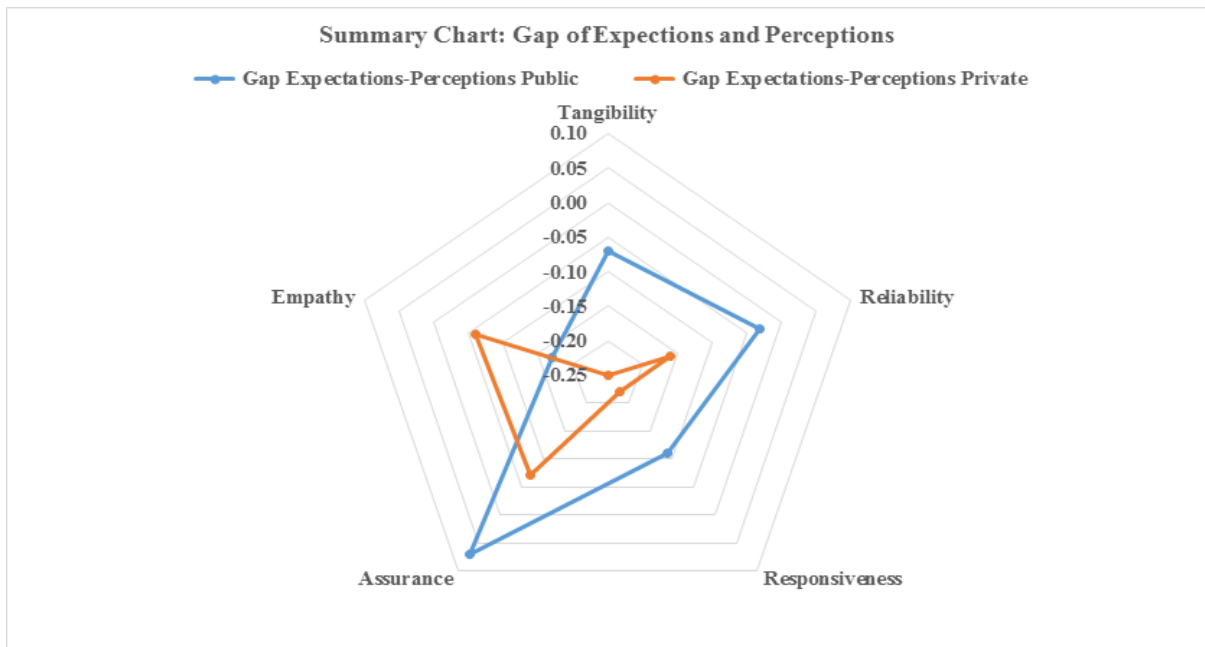


Figure 5-4 Gap means differences between consumers' expectations and perceptions of service quality in the public banks and private banks.



Chapter 6 RESULTS RELATING TO EMPLOYEE'S PERCEPTION OF CUSTOMER EXPECTATION

6.1 Introduction

The purpose of this research was to examine the differences between employees' perceptions of customer expectations and the actual customers' expectations of service quality in both the Libyan commercial public and Libyan private banks using the SERVQUAL instrument. This chapter provides an analysis of the various differences, including a representation of the SERVQUAL questionnaire results, in addition to the sample's demographic profiles and the verification of the study tool reliability. Moreover, this chapter provides an analysis of understanding the gap 1 *Consumer Expectation-Management Perception Gap (The difference between customer's expectations and management perceptions of customer expectations)* and the service provider gap. This includes an analysis of service quality from the employees' standpoints.

The analysis of the data was carried out through the use of SPSS package, in addition to the implementation of standard statistical analysis, including mean ratings and t-test, which provide the findings for each in-depth analysis. The chapter provides an interpretation and discussion of the implications of all groups of data.

6.2 Survey responses rate

Throughout the course of this study, 500 copies of the questionnaire were distributed to 250 public bank employees and 250 private bank employees. A total of 13 copies were not returned (5.20% public bank employees and 8.40% private bank employees). Notably, 215 public bank employees completed the survey whilst 205 private bank employees completed the survey. However, some of the questionnaires (22 of public employee's surveys and 24 of private employee's surveys) were recognised as incomplete, and were therefore removed from the sample. The research reviewed a total of 215 public bank and 205 private bank employees' questionnaires. This provided an overall response rate of 82% amongst private employees and 86% amongst public employees. These results are detailed in table 6.1.

Table 6-1 Survey response rates

Questionnaires	Public banks		Private banks	
	Frequency	Percentage	Frequency	Percentage
Total number of questionnaires	250	100	250	100
Questionnaires not returned	13	5.20	21	8.40
Incomplete questionnaires	22	8.80	24	9.60
Total Completed questionnaires returned	215	86.00	205	82.00

6.3 Descriptive statistics on the demographic profile of respondents

For both types of banks, the demographics of the sample age, duration of the bank employee relationship, education level and gender provides respondent relevant descriptive statistics. These are detailed below.

6.3.1 Gender

Table 6.2 provides insight into the percentage and frequency of employee respondents with regard to gender, and further establishes that most employee respondents across both types of bank are male. In the case of private banks, this amounts to 81.5% whilst in the case of public banks it stands at 77.7%.

Table 6-2 Description of the respondents for gender

Descriptive	Employees responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
Male	167	77.7	167	81.5
Female	48	22.3	38	18.5
Total	215	100	205	100

6.3.2 Age

As shown in table 6.3 the majority of respondent`s employees in public banks are in the age range of 40-49 years; whereas the majority of respondent`s employees in private banks are in the age range of 30-39 years. The minority respondent`s employees in both banks are in the age range of 50-59 years.

Table 6-3 Age of respondents

Descriptive	Employees responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
20-29	86	40.0	65	31.7
30-39	107	49.8	86	42
40-49	21	9.8	44	21.5
50-59	1	.5	10	4.9
More than 60	0	0	0	0
Total	215	100	205	100

6.3.3 Educational level

With regard to education, most of the respondents of the public banks have achieved a Higher Diploma, whereas the employees of the private banks were generally found to hold a Bachelor`s degree (see Table 6.4). In the public banks, the second largest group were found between Intermediate diploma and Bachelor level. In the private banks, the second largest group were found between Higher Diploma and Bachelor level. Lastly,

Master`s and Doctoral level were the smallest group in public bank; whereas in the private banks, Intermediate diploma and Doctoral level were the smallest groups.

Table 6-4 Summary of educational level

Descriptive	Employees responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
Intermediate diploma and less	37	17.2	16	7.8
Higher diploma	84	39.1	63	30.7
Bachelor degree	66	30.7	98	47.8
Masters degree	28	13.0	21	10.2
Doctorate degree	0	0	7	3.4
Total	215	100	205	100

6.3.4 Duration of relationship with bank

For the employees of both the private and public banks, the most frequent duration was between 1-5 years. As seen through this data, however, no employees had a relationship spanning longer than 20 years.

Table 6-5 Duration of relation of a bank

Descriptive years	Employees responses in both banks			
	Public banks		Private banks	
	Frequency	%	Frequency	%
1-5	97	45.1	66	32.2
6-10	94	43.7	84	41
11-15	19	8.8	37	18
16-20	5	2.3	18	8.8
More than 20	0	0	0	0
Total	215	100	205	100

6.4 Confirmation of SERVQUAL reliability

This study aimed to analyse the differences between actual customers' expectations of service quality and employees' perceptions of this in the context of private and public banking institutions operating in Libya. This was undertaken through the use of the SERVQUAL scale. Accordingly, the questionnaire was distributed amongst staff of both the private and public banks. Each questionnaire group was targeted with regard to a reliability analysis through the adoption of the Cronbach's Alpha technique; this enabled the statistical measurement of the tool's overall reliability and internal consistency. The

findings of the tests can be seen in Table 6.6, which shows those employees' perceptions of customer expectations reliability coefficient was (0.75). Garson (2005) argues that within social sciences, the more acceptable alpha score is 0.70 or higher for a set of items to be considered a scale, while others are as lenient as 0.60. According to Asubonteng, et al (1996), high reliabilities are desirable such as 0.90 or above, whilst reliabilities below 0.60 may demand additional research in order to develop a revised instrument with greater reliability.

Table 6-6 Cronbach's alpha test for employees

Group	Cronbach's Alpha	No of items
Employees	0.75	22

6.5 Data analysis of customers' expectations

This part is broken down into two phases: the first is dedicated to providing descriptive analysis relating to the data gathered from employees of both types of banks through the employee questionnaire; the second phase is devoted to the descriptive analysis of the data that was collected by the employees' questionnaire, Gap 6.

6.5.1 Testing hypothesis 1, (comparison of employees' perceptions of customers' expectations against customers' expectations in public and private banks)

The gap between employees perceptions of customers' expectations and actual customers' expectations facilitate the identification of whether or not management may miscalculate or overemphasis service delivery with regards to the satisfaction of customers' expectations. When service provider gaps are present in a bank, it is likely that service quality gaps will also be evident.

In order to test for the differences between employees' perceptions of customers' expectations and actual customers' expectations in both commercial public and private banks in Libya using the five dimensions of the SERVQUAL scale, the following hypotheses were formulated, based on the stated purposes of this study:

(H₀): There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between the public and private banks.

(H1): There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between the public and private banks.

The results of employees' perceptions of customers' expectations are confirmed by the employees' perceptions of customers' expectations frequencies, as shown in tables 6.7 and 6.8, in both of the public and private banks respectively. Table 6.7 shows that nearly half, (103 out of 215) of public banks employees' responses show a strong agreement. In other words, at the agree end of the Likert scale, 48 % of the public employees banks perceive the highest level of customer' expectations of service delivery. However, perceptions from employees of these expectations in private banks illustrated in Table 6.8 demonstrate the frequencies of employees' perceptions of customers' expectations. Table 6.8 indicates that approximately 43% (88 out of 205) of these responses are also strongly in agreement; meaning that at this end of the Likert scale, 42.7% of the private employees banks perceive the highest level of customers' expectations of service quality provision.

Table 6-7 Employees' perceptions of customers' expectations frequencies in public bank

Dimension	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	0	0	0	0	8	3.7	111	51.6	96	44.7
	2. The physical facilities of the bank	0	0	2	0.9	41	19.1	97	45.1	75	34.9
	3.The appearance of bank employees	0	0	0	0	22	10.2	88	40.9	105	48.8
	4.Suitability of bank appearance with the nature of service provided	0	0	2	0.9	46	21.4	111	51.6	56	26
Reliability	5. The banks' promises to customers	0	0	0	0	27	12.6	110	51.2	78	36.3
	6.Bank sympathy with customers' problems	0	0	0	0	32	14.9	116	54	67	31.2
	7. Providing proper service to the customer the first time	0	0	0	0	23	10.7	147	68.4	45	20.9
	8. Providing service at the time promised	0	0	0	0	42	19.5	108	50.2	65	30.2
	9. Bank records	0	0	0	0	17	7.9	85	39.5	113	52.6
Responsive ness	10. Telling customer from the time of providing service	0	0	1	0.5	32	14.9	111	51.6	71	33
	11. Provide services promptly and quickly to customers	0	0	0	0	33	15.3	115	53.5	67	31.2
	12. Willingness to help customers	0	0	0	0	28	13	111	51.6	76	35.3
	13. Responding to customers' requests	0	0	0	0	37	17.2	104	48.4	74	34.3
Assurance	14. The impact of employees' behaviour on customers	0	0	3	1.4	34	15.8	100	46.5	78	36.3
	15. Customers' treatment by the bank	0	0	1	0.5	40	18.6	72	33.5	102	47.4
	16. Employees' behaviour with customers	0	0	0	0	33	15.3	82	38.1	100	46.5
	17. Knowledge and understanding of bank employees	0	0	0	0	35	16.3	82	38.1	98	45.6
Empathy	18. Bank caring for customers	0	0	0	0	26	12.1	109	50.7	80	37.2
	19. Suitability of opening hours for customers	0	0	0	0	10	4.7	104	48.4	101	47
	20. Employees attention to customers	0	0	0	0	22	10.2	106	49.3	87	40.5
	21. Bank attention to the interest of customers	0	0	0	0	19	8.8	97	45.1	99	46
	22. Bank employees' awareness of customer needs	0	0	2	0.9	33	15.3	105	48.8	75	34.9
	Average	0	0	1	1	29	13	103	48	82	38

Table 6-8 Employees' perceptions of customers' expectations frequencies in private banks

Dimension	Questions	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
Tangibility	1. Using up-to-date equipment	0	0	0	0	17	8.3	56	27.3	132	64.4
	2. The physical facilities of the bank	0	0	11	5.4	29	14.1	65	31.7	100	48.8
	3. The appearance of bank employees	0	0	0	0	19	9.3	102	49.8	84	41
	4. Suitability of bank appearance with the nature of service provided	0	0	0	0	17	8.3	104	50.7	84	41
Reliability	5. The banks' promises to customers	0	0	1	0.5	16	7.8	96	46.8	92	44.9
	6. Bank sympathy with customers' problems	1	0.5	0	0	26	12.7	107	52.2	71	34.5
	7. Providing proper service to the customer the first time	0	0	1	0.5	21	10.2	119	58	64	31.2
	8. Providing service at the time promised	2	1	3	1.5	26	12.7	89	43.4	85	41.5
	9. Bank records	0	0	1	0.5	23	11.2	101	49.3	80	39
Responsiveness	10. Telling customer from the time of providing service	0	0	0	0	38	18.5	103	50.2	64	31.2
	11. Provide services promptly and quickly to customers	0	0	2	1	31	15.1	90	43.9	82	40
	12. Willingness to help customers	1	0.5	5	2.4	23	11.2	93	45.4	83	40.5
	13. Responding to customers requests	1	0.5	4	2	26	12.7	100	48.8	74	36.1
Assurance	14. The impact of employees' behaviour on customers	0	0	3	1.5	30	14.6	70	34.1	102	49.8
	15. Customers' treatment by the bank	0	0	6	2.9	31	15.1	60	29.3	108	52.7
	16. Employees' behaviour with customers	1	0.5	5	2.4	25	12.2	67	32.7	107	52.2
	17. Knowledge and understanding of bank employees	1	0.5	5	2.4	37	18	89	43.4	73	35.6
Empathy	18. Bank caring for customers	1	0.5	12	5.9	42	20.5	82	40	68	33.2
	19. Suitability of opening hours for customers	0	0	9	4.4	47	22.9	89	43.4	60	29.3
	20. Employees attention to customers	2	1	3	1.5	49	23.9	90	43.9	61	29.8
	21. Bank attention to the interest of customers	0	0	2	1	39	19	67	32.7	97	47.3
	22. Bank employees' awareness of customer needs	4	2	1	0.5	25	12.2	87	42.4	88	42.9
	Average	1	0.3	3	2	29	14	88	42.7	84	41
1 Strongly disagree is lower employees' perceptions of customers' expectations 5 Strongly agree is higher employees' perceptions of customers' expectations											

As shown in Tables 6. 9 and 6.10, the mean difference between perceptions of customers' expectations, as understood by employees and actual expectations can be seen along each of the items, which were calculated with regard to employees and customers. The

customers' mean expectation score was taken away from the employee mean perception score. The difference was highlighted following the use of the independent t-test ($p < 0.05$ level). Moreover, descriptive statistics analysis was adopted, in order to examine this gap in service quality between private and public banks.

Table 6.9 and Table 6.10 both show the expectations of service quality, as assumed by customers and the perceptions of such, as held by employees, with both banks showing high scores with regards to the service quality of their respective establishments.

The gap of employees' perceptions of consumers' expectations shown against customers' expectations in the public banks was interesting to note as shown in table 6.9 that in only six out of the twenty two items namely:

- Item 1, (using up-to-date equipment), with a mean value of 4.69.
- Item 17, (knowledge and understanding of bank employees), with a mean value of 4.40.
- Item 22, (bank employees' awareness of customer needs), with a mean value of 4.36.
- Item 20, (employees attention to customers), with a mean value of 4.31.
- Item 4, (suitability of the banks appearance with the nature of service provided), with a mean value of 4.23.

Item 2, (the physical facilities of the bank), with a mean value of 4.18, did employees score items lower than their customers. For example, for item 1, the mean score for the employee is 4.41, whilst for the customer it is 4.69. In the remainder of the 22 items, employees scored items higher than customers. This means that employees believe that customers expect more than the employees themselves expect from their bank services.

- Item 9, (banks records), with a mean value of 4.45.
- Item 19, (suitability of opening hours for customers), with a mean value of 4.42.
- Item 3, (the appearance of bank employees), with a mean value of 4.39.
- Item 21, (banks attention to the interest of customers), with a mean value of 4.37.
- Item 16, (employees' behaviour with customers), with a mean value of 4.31.

- Item 15, (customers' treatment by the bank), with a mean value of 4.28.
- Item 18, (banks care of its customers), with a mean value of 4.25.
- Item 5, (the banks' promises to customers), with a mean value of 4.24.
- Item 12, (willingness to help customers), with a mean value of 4.22.
- Item 14, (the impact of employees' behaviour on customers), with a mean value of 4.18.
- Item 10, (informing customers from the first time of providing a service), with a mean value of 4.17.
- Item 13, (responding to customers' requests), with a mean value of 4.17.
- Item 11, (provide services promptly to customers), with a mean value of 4.16.
- Item 6, (bank sympathy with customers' problems), with a mean value of 4.16.
- Item 8, (providing service at the time promised), with a mean value of 4.11.
- Item 7, (providing excellent service to the customer from the first time), with a mean value of 4.10. For example, for item 9 the mean score for the employee is 4.45, while for the customer it is 4.10.

In fourteen of these 22 items in addition to the tangibility, reliability, responsiveness, assurance and empathy dimensions, the difference was statistically significant at the < 0.05 level.

- Item 1, (using up-to-date equipment),
- Item 4, (suitability of bank appearance with the nature of service provided),
- Item 5, (the banks' promises to customers),
- Item 7, (providing excellent service to the customer from the first time),
- Item 8, (providing service at the time promised),
- Item 9, (banks records),
- Item 10, (informing customers from the time of providing service),
- Item 11, (provide services promptly to customers),
- Item 13, (responding to customers' requests),
- Item 15, (customers' treatment by the bank),
- Item 16, (employees' behaviour with customers),
- Item 18, (banks care of its customers),
- Item 19, (suitability of opening hours for customers),

- Item 22, (bank employees' awareness of customer needs).

In the case of the public banks, the most visible gaps can be seen in:

- Items 6, (banks sympathy with customers' problems), with a gap score of 1.14.
- Item 8, (providing service at the time promised), with a gap score of 0.79.
- Item 7, (providing excellent service to the customer from the first time), with a gap score of 0.78.
- Item 11, (provide services promptly to customers), with a gap score of 0.67.
- Item 13, (responding to customers' requests), with a gap score of 0.66.
- Item 5, (the banks' promises to customers), with a gap score of 0.59.
- Item 18, (banks care of its customers), with a gap score of 0.45.
- Item 19, (suitability of opening hours for customers), with a gap score of 0.43.

Conversely, in the private banks, the greatest gaps can be seen in:

- Item 11, (provide services promptly to customers), with a gap score of 1.05.
- Item 7, (providing excellent service to the customer from the first time), with a gap score of 0.68.
- Item 5, (the banks' promises to customers), with a gap score of 0.53.
- Item 2, (the physical facilities of the bank), with a gap score of 0.29.
- Item 4, (suitability of bank appearance with the nature of service), with a gap score of 0.27.

Table 6-9 Gap between employees' perceptions of customers' expectations and actual customers' expectations in public banks

Dimension	Items	Employee	customers	Gap	t	Sig
Tangibility	1. Using up-to-date equipment	4.41	4.69	-0.28	5.327	.000
	2. The physical facilities of the bank	4.14	4.18	-0.04	.472	.637
	3. The appearance of bank employees	4.39	4.31	0.08	-.936	.350
	4. Suitability of bank appearance with the nature of service provided	4.03	4.23	-0.2	2.438	.015
Mean scores		4.24	4.35	-0.11	2.285	.023
Dimension	Items	Employee	customers	Gap	T	Sig
Reliability	5. The banks' promises to customers	4.24	3.65	0.59	-6.315	.000
	6. Bank sympathy with customers' problems	4.16	3.02	1.14	-1.597	.111
	7. Providing proper service to the customer the first time	4.10	3.32	0.78	-7.279	.000
	8. Providing service at the time promised	4.11	3.32	0.79	-2.692	.007
	9. Bank records	4.45	4.10	0.35	-3.827	.000
Mean scores		4.21	3.79	0.42	-7.173	.000
Dimension	Items	Employee	customers	Gap	T	Sig
Responsiveness	10. Telling customer from the time of providing service	4.17	3.96	0.21	-2.488	.013
	11. Provide services promptly and quickly to customers	4.16	3.49	0.67	-6.388	.000
	12. Willingness to help customers	4.22	4.13	0.09	-1.105	.270
	13. Responding to customers' requests	4.17	3.51	0.66	-6.500	.000
Mean scores		4.18	3.77	0.41	-7.084	.000
Dimension	Items	Employee	customers	gap	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.18	4.14	0.04	-.384	.701
	15. Customers' treatment by the bank	4.28	3.95	0.39	-3.746	.000
	16. Employees' behaviour with customers	4.31	3.89	0.42	-5.004	.000
	17. Knowledge and understanding of bank employees	4.29	4.40	-0.11	1.267	.206
Mean scores		4.27	4.10	0.17	-2.788	.006
Dimension	Items	Employee	customers	Gap	T	Sig
Empathy	18. Bank caring for customers	4.25	3.80	0.45	-5.355	.000
	19. Suitability of opening hours for customers	4.42	3.99	0.43	-4.916	.000
	20. Employees attention to customers	4.30	4.31	-0.01	.110	.912
	21. Bank attention to the interest of customers	4.37	4.29	0.08	-1.088	.277
	22. Bank employees' awareness of customer needs	4.18	4.36	-0.18	1.994	.047
Mean scores		4.31	4.15	0.16	-2.745	.006

On the other hand, when reviewing item 9 (bank records), with a mean value of 4.44, item 14, (the impact of employees' behaviour on customers), with a mean value of 4.35 and item 17, (knowledge and understanding of bank employees), with a mean value of 4.37 of private banks in table 6.10, these items were rated higher by employees and a statistically significant difference was seen only in the cases of item 9, (bank records), with a p value of .005 and item 17, (knowledge and understanding of bank employees), with a p value of .001. In the rest of the 22 items (19 items) employees' perceptions of customers' expectations were higher than actual customers' expectations, and in 13 of these items, i.e. item 1, (using up-to-date equipment), item 2, (the physical facilities of the bank), item 4, (suitability of bank appearance with the nature of service provided), item 5, (the banks' promises to customers), item 7, (providing proper service to the customer the first time), item 8, (providing service at the time promised), item 9, (bank records), item 11, (provide services promptly and quickly to customers) , item 12, (willingness to help customers), item 13 (responding to customers' requests), item 17, (knowledge and understanding of bank employees), item 18, (bank caring for customers) and item 22, (bank employees' awareness of customer needs), the differences are statistically significant at < 0.05 level.

Table 6-10 Gap between employees' perceptions of customers' expectations and actual customers' expectations in Private Banks

Dimension	Items	Employee	customers	Gap	t	Sig
Tangibility	1. Using up-to-date equipment	4.56	4.36	0.2	-3.196	.002
	2. The physical facilities of the bank	4.24	3.95	0.29	-3.563	.000
	3.The appearance of bank employees	4.32	4.27	0.05	-.665	.506
	4.Suitability of bank appearance with the nature of service provided	4.33	4.06	0.27	-3.755	.000
Mean scores		4.36	4.16	0.20	-4.501	.000
Dimension	Items	Employee	customers	Gap	T	Sig
Reliability	5. The banks' promises to customers	4.36	3.83	0.53	-6.663	.000
	6.Bank sympathy with customers' problems	4.20	4.19	0.01	-.199	.842
	7. Providing proper service to the customer the first time	4.20	3.52	0.68	-8.620	.000
	8. Providing service at the time promised	4.23	3.99	0.24	-2.856	.005
	9. Bank records	4.27	4.44	-0.17	2.472	.014
Mean scores		4.25	4.00	0.25	-5.401	.000
Dimension	Items	Employee	customers	Gap	T	Sig
Responsiveness	10. Telling customer from the time of providing service	4.13	4.08	0.05	-.695	.487
	11. Provide services promptly and quickly to customers	4.23	3.81	1.05	-4.882	.000
	12. Willingness to help customers	4.23	4.07	0.16	-1.998	.046
	13. Responding to customers requests	4.18	3.78	0.4	-4.358	.000
Mean scores		4.19	3.93	0.26	-4.640	.000
Dimension	Items	Employee	customers	Gap	T	Sig
Assurance	14. The impact of employees' behaviour on customers	4.32	4.35	-0.03	.409	.683
	15. Customers' treatment by the bank	4.32	4.28	0.04	-.415	.678
	16. Employees' behaviour with customers	4.34	4.22	0.12	-1.355	.176
	17. Knowledge and understanding of bank employees	4.11	4.37	-0.26	3.493	.001
Mean scores		4.27	4.31	-0.04	.674	.501
Dimension	Items	Employee	customers	Gap	T	Sig
Empathy	18. Bank caring for customers	3.99	3.72	0.27	-2.826	.005
	19. Suitability of opening hours for customers	3.98	3.92	0.06	-.556	.579
	20. Employees attention to customers	4	3.96	0.08	-.446	.656
	21. Bank attention to the interest of customers	4.26	4.16	0.1	-1.331	.184
	22. Bank employees' awareness of customer needs	4.24	3.93	0.31	-3.648	.000
Mean scores		4.09	3.94	0.15	-2.815	.005

With reference to the five service quality dimensions, t-test results are shown in tables 6.11 and 6.12. There are key differences between customers' expectations and the perceptions of customer expectations, as held by employees across all of the dimensions in public banks, and four of them in the case of private banks. These results show that employees in public banks overestimated these customers' expectations for reliability 4.21 vs. 3.97 $p=0.001$, responsiveness 4.18 vs. 3.77 $p=0.001$, assurance 4.27 vs. 4.10 $p=0.006$ and empathy 4.31 vs. 4.15 $p=0.006$ (all $p < 0.05$).

The alpha level is set at 5% (0.05). P-value less than the alpha will be considered as having statistical significance. However, for tangibility the employees underestimate the customer expectation 4.24 vs. 4.35 $p=0.05$. Additionally, in private banks the employees overestimate their customers' expectations for tangibility, reliability, responsiveness and assurance ($p < 0.05$). Significant differences between customers' expectations and employees' perceptions of customers' expectations is indicated in the overall service quality of both public and private banks ($p= 0.000$ in public banks and 0.000 in private banks).

Table 6-11 Comparison of the service quality dimensions between employees' perceptions of consumers' expectations and actual customers' expectations in public banks

dimensions	Mean Employee	Mean customers	Gap	t	Sig.
Tangibility	4.24	4.35	-0.11	2.285	.023
Reliability	4.21	3.79	0.42	-7.173	.000
Responsiveness	4.18	3.77	0.41	-7.084	.000
Assurance	4.27	4.10	0.17	-2.788	.006
Empathy	4.31	4.15	0.16	-2.745	.006
Overall (mean of dimensions)	4.24	4.03	0.21	-5.171	.000

Table 6-12 Comparison of the service quality dimensions between employees' perceptions of consumers' expectations and actual customers' expectations in Private Banks

dimensions	Mean Employee	Mean customers	Gap	t	Sig.
Tangibility	4.36	4.16	0.20	-4.501	.000
Reliability	4.25	4.00	0.25	-5.401	.000
Responsiveness	4.19	3.93	0.26	-4.640	.000
Assurance	4.27	4.31	-0.04	.674	.501
Empathy	4.09	3.94	0.15	-2.851	.005
Overall (mean of dimensions)	4.23	4.07	0.16	-5.290	.000

The differences between employees' and customers' perceptions in both bank types are illustrated by the comparison across the five SERVQUAL dimensions presented by the line plot in figures 6.1 and 6.2, in which the first figure indicates differences in tangibility, reliability, responsiveness, assurance, empathy and overall service quality. Furthermore, figure 6.2 shows notable differences in tangibility, reliability, responsiveness, empathy and overall service quality. Thus, the employees do not appear to have a good understanding of what their customers expect, especially with the tangible dimension.

Figure 6-1 Comparison of employees' perceptions of customers' expectations and actual customers' expectations in public banks according to the five service quality dimensions

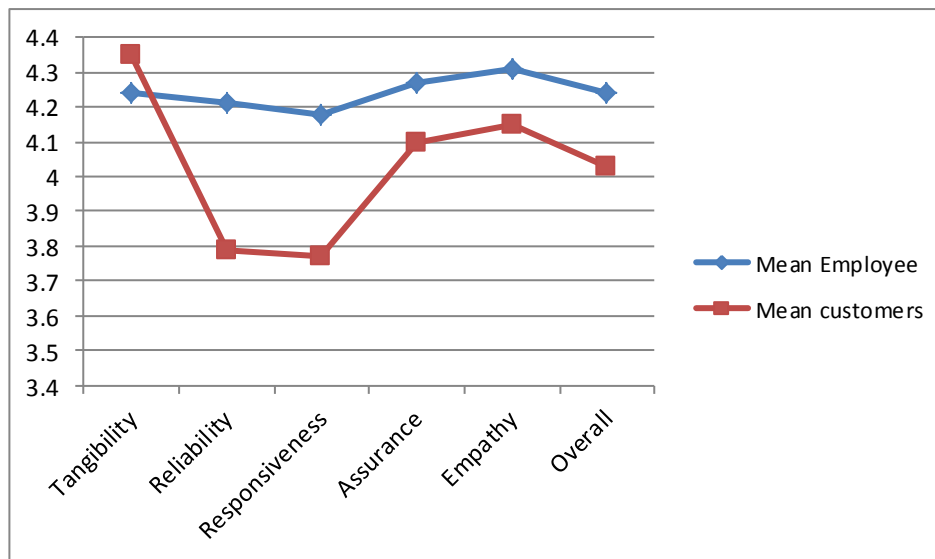
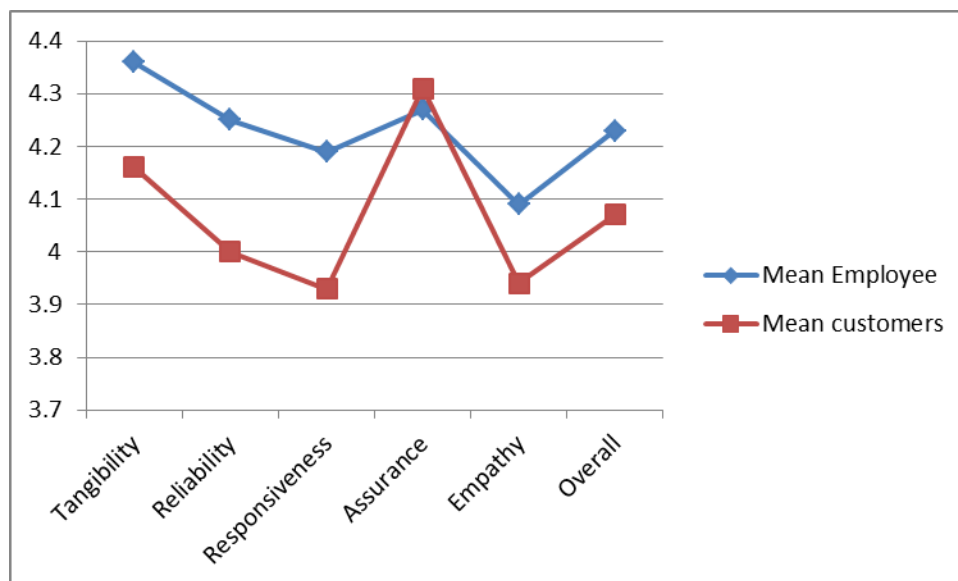


Figure 6-2 Comparison of employees' perceptions of customers' expectations and actual customers' expectations in private banks according to the five service quality dimensions



Lastly, as can be seen in tables 6.9, 6.10, 6.11 and 6.12, significant differences are noted between both types of bank in relation to the expectations of customers and the employee perceptions of such across all 22 items and the five service quality dimensions. An overview of these differences is provided in Table 6.13.

Table 6-13 Summary of significant differences between employees and customers

Place of difference	public	private
items	Differences in fourteen items	Differences in thirteen items
dimension	tangible , reliability , responsiveness, assurance and empathy	tangible , reliability , responsiveness and empathy
Overall service quality	differences	differences

Thus, H01 is rejected and the alternate hypothesis Ha1 is accepted that there are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

6.6 Summary

This chapter has provided a breakdown of the results gathered through the work with 500 employees of private and public banks. The data gathered was examined through the use of the SPSS program, in addition to a number of other statistical analysis approaches, namely mean ratings and independent samples t-test. Variance procedure analyses were also adopted for the gaps, which took into account service quality from the position of the employee.

Importantly, this and the preceding chapter have delivered quantitative data analyses following the generation of the data through the use of the SERVQUAL questionnaire tool for the analysis of bank service quality from different perspectives, to be precise, the customers and employees. The following chapter discusses and interprets

the results of such analyses in relation to other empirical research studies carried out previously. The hypotheses tests, and the summary of such, are provided in Table 6.14, indicating the rejection of the only null hypothesis.

Table 6-14 Summary of Hypothesis Tests

Hypotheses	Decision	Conclusion
HO1. There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.	Rejected	Employees' perceptions of customers' expectations differ from actual customers' expectations between both public and private banks at less than the 0.05 level.

Chapter 7 FINDINGS FROM INTERVIEWS

7.1 Introduction

In the methodology chapter, the rationale for the chosen data collection methods was provided. To achieve the objectives of this study, two data collection methods were used; specifically, questionnaires and a semi-structured interview. A qualitative approach provides an opportunity for the researcher to capture the views and opinions of the respondents in greater depth. It can include quotations, excerpts, correspondence and interactions. It also gives significant scope to the respondent for providing his or her views in detail. An in-depth understanding of the interviewee's perspectives can be obtained by utilizing the interview approach. In the current study, semi-structured interviews were utilized to allow the interview to take the appropriate path.

In addition to the interviews, designed and incorporated within the research methodology, as a supporting source of data, and for the findings derived from the questionnaires. The eleven open-ended questions were particularly designed to sustain the study's aims and objectives and to provide additional information on the facilities and services which were being offered or the bank planned to offer in the future. Furthermore, the questionnaires were for the researcher's own observations when collecting the research data.

As discussed in the research methodology chapter, the researcher conducted semi-structured face-to-face interviews with 11 managers in Libyan commercial banks (public and private). The semi-structured approach of the interviews allowed the respondents more room to voice their opinions and also enabled the researcher to have an in-depth understanding of the opinion of the interviewees. Moreover, a semi-structured approach also allowed more scope for discussion which can become restricted in a structured interview approach. A semi-structured interview is a combination of the structured and unstructured approach, involving open-ended and closed-ended questions. Pilot testing of the interviews was carried out with faculty from university to understand the appropriateness of the questions and the output of the same.

Justifications for interviewing managers were also provided in the methodology chapter of the study. The eleven topics, some with multi question are as follows:

1. How long have you been working as the manager in this bank?

2. In your view what are the main facilities and services that a modern bank should offer to customers?
3. In improving your products and services, do you regularly receive feedback from your customers and employees? If so, what methods do you use in collecting such information?
4. Do you think that your bank operates in a competitive environment?
5. What are your general views and thoughts about the banking sector in Libya?
6. What is the level of quality of service provided by your bank?
7. Does your Bank provide the service that its customers expect?
8. Thinking about quality as a manager of this bank, do you think your customers and employees are pleased with the facilities (a facility includes computers, ATM, furniture, regularly monthly statements and so on)? Please give your answer in two parts, addressing your customers initially and your employees secondly.
9. Thinking about quality again, as a manager do you think your bank shows sincere interest in the problems that your customers or employees have? When answering please bear in mind the customer and your employee separately. (Think of examples of possible problems that customers or employees could have).
10. How quickly does your bank respond to customers' or employees' requests? Do you act promptly and show a willingness to help? Do you have a specific time within which you must respond to any query?
11. Is there any code of behaviour you expect from your employees in their treatment of customers? If so, please explain further, and if not why not? Generally do you think your customers are well treated? If yes, how do you treat them and if not why not? Do you think your employees have the necessary skills and understanding to deal with customers?

7.2 Interviews

As reported in Appendix 4, the detailed response from the interviewees at the five public and seven private banks provide a number of practical tools for analysis. While question 1 deals with the working experience of the manager, the remaining questions attempt to identify the extent of quality services offered by the banks. Moreover, these questions tend to identify whether the bank managers are aware of shortcomings and gaps in service delivery; and if so, what measures they are taking to overcome the problems.

7.2.1 Interviewees Background – Topic 1

The first question aim to identify the demographics of the respondents. This question is considered as an introductory one; the answers are simple and do not require much thought, so the respondent feels relaxed, and ready for the first stage; otherwise, it is difficult to start directly with the second question. In relation to question 1, it was found that whilst most of the four public bank managers worked their way up to the top through years of work experience, the private bank managers reached the peak of their career development through acquiring university degrees or through work experience in the private financial sector. Moreover, the educational backgrounds of these two groups of managers are worth exploring.

In only one case, the manager of a public bank declared that he had a college degree, while the rest had only completed their 12 years of schooling. Furthermore, the length of time as managers tends to be similar across the banks, with most being around 5-10 years. However, more of the managers in the private banks had more than 10 years of managerial experience. With regards to career backgrounds, three of bank managers in the public bank declared that they started their career at the first level and moved up either through contacts or through their own hard work. This is slightly different to the private banks, where managers are found to come either from an accountancy background or from supervisory jobs. The complete information on educational and career backgrounds is depicted in table 7.1.

Table 7-1 Education, Experience and Career Backgrounds of Libyan Bank Managers

PUBLIC BANKS	PRIVATE BANKS
Education	Education
12 Years of schooling 3	12 Years of schooling 2
College Degree 1	Bachelors Degree 2
	MA/MBA 3
Career Background	Career Background
Cashier/Clerk 1	Cashier/Clerk 1
Accountant 2	Accountant 3
Banking Supervision 1	Banking Supervision 3
Management Experience	Management Experience
Less than 5 years 1	Less than 5 years 0
5 to 10 years 1	5 to 10 years 3
More than 10 years 2	More than 10 years 4

7.2.2 Provision of Facilities and Services – Topic 2

In relation to their appreciation of modern banking services and the provision of quality facilities, all the interviewees were unanimous that they needed to improve in a number of areas. There were no significant differences between the managers of public and private banks in almost all areas, in relation to new products and services. In particular, provision of debit cards for all and effective credit-scoring systems were discussed at length by all the managers. In some cases, particularly amongst the private banks managers, the issue of inter-bank electronic transfer was regarded as being of the utmost importance in building up relations with the international banking system. Manager 6 from the private banking sector was adamant that *“we first need to sort out some of our basic service delivery; that is, credit scoring and operations, debit system and the electronic system of fund transfers. Once these issues are fully and efficiently operational then we need to send a signal to our Central Bank that we are prepared to take up the e-banking challenge”*.

Credit scoring systems and approaches to risk management were also considered by seven managers, in both the private and public sectors. Manager 3 from the public banking sector stated: *“We have just recently developed a rather simplified version of*

national interbank transfers; debit cards; a credit scoring mechanism; and electronic salary transfer ... we are at the early stage of such developments". It was further elaborated by Manager 4 from the private banking sector that *"We are aware of these effective and efficient systems of banking but we need to build our infrastructure first – internet, modernisation of the Central Bank, stock markets, availability of credit and use of credit cards, etc. – then think of how to implement them"*.

On the issue of loan assessments and risk management, a manager from the private banking sector said as demanded by our customers, *"The development of an effective risk management system and credit scoring are top of our agenda"*. On delivery of an efficient service, only manager 2 from the private banking sector highlighted that *"Offering quality and observing and listening to what our customers want are on top of our priority list by making sure that most dealings are sorted within 5 to 10 minutes for any customer; be it a cash withdrawal or depositing funds or any other business activities, making sure that we have at our disposal sufficient numbers of tillers and receptionists to deal with customers"*.

For the most part, in relation to feedback received from these interviewees, the researcher is led to believe that all banks, be they small or large, private or public, are aware of the demand for quality services and appear to be ready to offer the kind of services and products that their counterparts in Europe and the USA offer to their customers. *One private banker said, "The Banking sector in Libya is behind the rest of the world, in so far as technological adoptions are concerned and we need to adopt them effectively and fairly fast"*.

7.2.3 Quality Improvements through Customers' Feedback – Topic 3

Regular or systematic collection of customer feedback or any marketing activities are generally absent within the Libyan banking system. This is particularly so among the public banking sector, as they primarily deal with a certain type of clientele – public sector employees – who mainly hold current and saving accounts for withdrawal of their salaries and savings. In such an environment, there remains no genuine incentive for such banks to enter the costly feedback collection process.

Findings from the interviews suggested that only one public bank conducted a casual feedback collection in 2008, and the rest reported that they had never done *it*

previously. *“There has been no structured or regular feedback system at all. This is primarily due to lack of resources and expertise in developing questionnaires and evaluating the data – something so far beyond us”*, manager 3 of a public bank stated. Manager 4 of a public bank elaborated that *“to date we have not undertaken any proper and regular feedback of our customers; just sometimes in a casual and informal manner and even that not being recorded”*.

In contrast, three managers from the private banking sector declared that they have been engaged in some limited feedback collection processes, which they stated had been vital in their offering new products. Manager 2 from a private bank stated: *“We do have a small team of clerks who deal with collection of customer satisfaction feedback on a simplified questionnaire, which has been in operation on a two-yearly basis since 2007”*. Manager 3 from the same sector further highlighted that *“We did set up a small team for observing and collecting feedback from 15% of our customers back in 2009 and 2011... a new survey to measure the extent of their satisfaction on our existing products and any new facilities that they wish to be offered”*. In referring to the usefulness of the exercise, he pointed out that *“the 2011 feedback provided us with a great insight, as most of our customers reported that they were satisfied with our existing services; and demanded more facilities vis-à-vis credit ease and lending facilities”*.

On the whole, it must be stated that most bankers, be they in the public or the private sector, stated that they were aware of the importance and effectiveness of regular customer feedback, but either were concerned about the costs or did not truly believe the potential benefits. Manager 6 from a private bank said *“We have always been aware of the value of feedback collection from our customers. We conducted our first extensive survey of our customers back in 2007 and then in 2010. The findings which were analysed and presented to the management were encouraging and helped us to address some of the issues raised by a majority of our customers, particularly those relating to electronic transfer and credit facilities”*. However, eight of interviewees seemed to realise that once the competitive market forces emerge they had no choice but to enter into a more rigorous and regular process of feedback and other forms of information collection from their regular and new customers.

7.2.4 Banking a Competitive Environment – Topic 4

Naturally, the public banking sector which has been under direct control of the Libyan government for over 40 years has enjoyed a comfortable non-competitive environment. They have primarily dealt with public sector employees with limited activities. All our interviewees from the public banking sector supported this view, but seven of interviewees clearly stated that they were aware of new developments, leading to all-out privatisation. Manager 4 from a public bank delicately stated *“As you are aware, the very basic economic theory suggests that under the public sector, in the absence of competition, efficiency and effectiveness tend to die down as there are no motives for quality enhancement. This is the current picture of most public sector banks now”*. However, as pointed out by manager 3 from a public bank, *“we are operating under direct control of government, but from time to time, we need to look into our market and investigate means of enhancing our products and services, the same way as our private banks”*. He further added, *“But we must try and learn how to cope in an emerging market where the public sector must also show continuous performance and quality enhancement”*.

The managers in the private banking sector were found to be divided on the issue of a competitive environment. Some were of the view that further privatisation of existing public banks would provide them with a competitive edge, as these banks would not be robust enough to compete in a hostile and competitive environment. On the other hand, three private sector bankers were worried that the opening up of the banking market may encourage foreign banks to enter the Libyan market and hence out-muscle the existing banks. *“Given the rather limited activities in the private commercial banking in Libya, we have not been seriously faced with any severe competitive situations”*, stated manager 1 from a private bank. Manager 2 from the same sector was of the view that *“there will be a great test for our rather inefficient and sluggish public and private commercial banks. We are certainly aware of how competition could lead to bankruptcy and redundancies, but it also brings about benefits to customers on all aspects of banking”*.

For the most part, despite the negative and sombre mood amongst Libyan bankers' vis-à-vis international competition, the private banks tend to feel that they will be better off once real competition starts, as the public banks currently suffer inefficiency and incompetence in all aspects of banking business. It is summed up by manager 6 of a private bank who put it *“If not prepared, we will surely disappear from the marketplace.”*

The Central Bank of Libya must ensure that we are given all chances to develop ourselves with modern facilities and resources so that we can confront the competition in an equitable manner”.

7.2.5 General Views of Libyan Banking – Topic 5

In relation to this question, the researcher felt that a vast majority of public banking managers are deeply concerned with an eventual privatisation process, which may lead to job losses and not necessarily assist the customers. Manager 1 from a public bank said *“There will soon be some massive shake-up and re-structuring in our sector in which we become partly or fully privatised and subject to market forces and competitive environment that we are not used to... leading to a lot of job losses”*. This issue was further reiterated by manager 2 from the public banking sector, who stated that *“we need to adopt a careful and gradual process for this transformation can succeed with minimal damage to jobs and quality service”*. A similar issue was highlighted by manager 2 from a public sector bank saying *“A sudden transformation from a rather non-market environment to a market orientated one may be a rush job and not beneficial for all parties involved. Let us think of how to do these things carefully and correctly rather than rush to do them just because they may be appealing to customers”*.

Conversely, there was no such unity amongst the managers in the private banking sector, as some believed that privatisation of existing public banks must be treated as good news for everyone, whereas others are rather cautious in meeting the real competitive environment. Manager 1 from a private bank stated *“We, in the private banking sector, have been disadvantaged by the system as the public banks have received subsidies and directives via government whereas we had to stay on our own feet and compete with them”*. He further elaborated that *“The private sector should look forward to changes which would allow market forces to determine the outcome rather than the government”*.

Other private bankers were more concerned with their positioning in the new environment. For example, manager 5 stated, *“We must be prepared to take on board the real international competitive environment, where the only way forward is to offer quality”*. He also pointed out that *“We need to develop our research departments more concretely and attempt at developing more innovative products and services at lowest*

costs". Bank manager 6 was of the view "the Central Bank must attempt to move gradually but surely towards privatisation of all public banks. The government should adopt a proactive position in offering support for all banks in meeting their future challenges, and the entire policy should aim to be at the service of the customers and not the politicians".

Apart from general concerns about the market place, two private bank managers were more interested in consumer welfare and appreciation of quality. Manager 4 is of the view that *"We need to encourage customers to be more internet-aware as e-banking would provide them with much greater freedom and save them time. This means that we must now try to rationalise our current staffing at branch level and concentrate more on research and marketing which this country is lacking severely"*. Moreover, manager 3 was adamant that *"All we wish to see is for the Central Bank to encourage the development and application of e-banking and e-services to help customers to be at par with the international communities. Change however can happen but we'd like to see it come sooner rather than later"*.

7.2.6 Level of Quality – Topic 6

Level of quality, which is normally measured by a quantitative index, appeared not to be understood by interviewees. This is primarily due to the fact that in our interview, no bank manager ever declared whether they have any structured means for formal surveys of their customers. *"Our quality provision is very much influenced by our annual budget"*, a public bank manager had to say in support of a lack of customer care. On the other hand, having admitted to a lack of resources for improved quality enhancement, another public bank manager stated *"We need to have a more comprehensive and efficient department which would solely receive feedback from customers on a regular basis"*.

As for the private banks managers, one interviewee admitted to irregularity in conducting surveys or research, and highlighted that *"We normally offer good quality branch service to all our customers, by making sure that most dealings are sorted within 5 to 10 minutes for any customer, be it cash withdrawal or depositing funds or any other business activities"*. Another private bank manager having realised the core of the issue, proudly stated, *"Our level of quality is next to none as we believe that quality enhancement lies in constant staff training and emancipation"*. Three private bank

managers have been blaming the Central Bank for the lack of quality and of poor delivery of service, stating, *“We may be ready to take on board the responsibility of offering quality service to our customers but the Central Bank is rather sluggish and supportive of the inefficient public banks. We know what our customers want and regard as quality but restrictions deny us that very path to achieving our target”*.

7.2.7 Provision of Expected Services Topic 7

It is highly anticipated that as no structured surveys have ever taken place in public banks: expected services are only based on some informal and ad hoc basis. Three public bank managers declared that they offer services that are usually expected by their customers, but that appeared to be primarily based on their assumptions and not on any concrete scientific investigation. On the other hand, a private bank manager who stated that they provide services to customers by asking them directly admitted *“Such matching should be done through structured, consistent and regular surveys; we do have our own method of feedback collection based on some casual basis”*.

The closest to the researcher’s expectation came from manager 6 of a private bank who stated, *“From time to time we casually ask our customers to tell us what they really want us to offer them”*. However, he added that *“Given our limitation that our customers are also aware of, we have been able to satisfy their needs, particularly in relation to deposit accounts and debit cards”*.

7.2.8 Facilities and other services – Topic 8

The question was designed to identify the quality of facilities, including ATM and regular statements offered to customers, and office furniture and computers for employees. The general view that emerged from the public banking sector was that all these facilities were centrally purchased and provided to branches. However, as manager 3 stated, *“Our furniture in most branches though very simple but are comfortable and customers tend to be happy with the use of such furniture”*. As for ATM machines and statements, all public banks appeared to be providing them on a limited basis. For example as manager 4 said, *“We have some limited ATM machines outside our banks but are trying to expand the number as requested by most of our customers.”* Another bank manager admitted that the ATMs are offered for a limited number of hours only, due to lack of security. Similarly all public bankers admitted that all the office furniture and computers are purchased centrally

and offered to branches. However, as three of these managers said, all the staff furniture and computers are *“Generally of a good quality and tend to last for a few years”*.

As for the private banks, six interviewees stated that they have permission through the branch rather than via a centralised operation to purchase facilities and maintain them for both customers and staff. Bank manager 1 clearly stated, *“We do have a team of experts in almost all our branches who are responsible to make sure staff furniture and computers are regularly updated and purchased regularly”*. Similarly, as for facilities for customers, manager 3 elaborated that *“ATMs are both inside and outside branches and are constantly serviced and made available”*. He continued that *“We have received such wonderful feedback from our customers about the facilities available at branches”*.

Overall, it appeared that private banks tend to have much greater degrees of freedom in spending on superior quality facilities for their customers and they provide a higher standard of services for their employees. To sum it up, as one private bank manager said, *“Provision of quality furniture for staff is our top priority as this proved to enhance our staff productivity”*.

7.2.9 Interest in solving customers and employees problems – Topic 9

The question was devised to find out whether banks are truly willing and ready to help customers and employees with their problems; and if so, how? As one bank manager of a public bank blamed lack of interest for limited funds and resources allocated to the bank, other public banks declared that *“We do our best to satisfy them and if any complaints or issues we attempt to handle them carefully”*. Conversely, another bank manager admitted that *“no structured mechanism exists in considering and resolving customers concerns and problems”*. However, it seemed that issues or problems arising from staff relations were more seriously considered and attempts made to resolve them. Bank manager 3 clearly stated, *“We do have a small committee within each branch which takes care of staff issues or any problems which would directly affect the staff’s interests or welfare”*.

In the case of private banks, the researcher was led to believe that they seemed to be more involved in the welfare and problem solving relating to both customers and staff, in particular, amongst a few interviewees. Manager 2 stated, *“We do have a small team (normally consisting of two part-time staff) who constantly collect information and data from our customers in relation to their demands or interests”*. Additionally, in relation to

their staff, the same manager was pleased to state, *“The same team is responsible for making sure that staff interests or concerns are constantly considered and welfare is maximised”*. Manager 3 was also adamant that a special team is responsible for staff welfare, as he believed that *“Staff welfare is the only way we can maximise productivity and hence customers’ satisfaction”*.

All in all, the private banks, according to the findings of the interviews, tend to be more involved and interested in finding out about customers and staff welfare and more readily available to resolve any issues arising from their provision of services.

7.2.10 Speed of response to customers and staff queries – Topic 10

Once more, the public banks’, supposedly being very busy in most branches tends to blame the large number of customers, as an obstacle to providing their full attention to them: *“We are a very busy branch in the centre of town and deal with hundreds of customers’ everyday”*. However, bank manager 1 stressed that *“We are willing to act promptly to do what our customers want. We do not have any specific time within which to respond to any query. Any such system requires extra expenses and budget which we cannot afford to request from headquarters”*. Alternatively, three public bank managers tend to attach much greater weight to staff demands and queries. As manager 2 stressed, *“We are extremely aware of the sensitivity of staff queries and attempt to solve matters arising, as soon as possible, sometimes within a couple of days or so”*. This issue was further elaborated on by saying, *“We exercise care in trying to sort out things relating to staff as fast as possible even if it requires outside assistance”*.

For the private banks, as one interviewee admitted there is *“No exact time attached to respond to customers’ queries or requests; we make every attempt to see to them as soon as possible – sometimes within days”*. Another one highlighted that *“We have a team who take care of customers’ requests and if anything important is requested they make sure to report to me so that they are resolved speedily”*. However, as for the employees case, there was greater unanimous agreement amongst private banks in that the employees demands and queries were being treated as highly important for the business. As it was delicately and concisely stated by manager 5, *“I am in charge of staff welfare directly which means that any requests or queries are heard by me first and acted upon*

immediately. In the case where no conclusion is achieved, we tend to get help from the experts from headquarter.

7.2.11 Staff treatment of customers – Topic 11

This question aimed to find out whether employees follow a code of behaviour in dealing with customers. In other words, the researcher plans to discover if the staffs have been fully trained with specific skills which would enable them to deal with customers in accordance with international codes of practice. In examining and analysing the interviewees' replies it was noticed that all the public banks staff are being trained centrally with general codes of practice and then moved to branches. In a small number of cases it was stated that there had been some branch related skills offered to staff to deal with a certain group of customers. One bank manager stated that in addition to central training, once working at branches, *“Staff are being constantly watched to behave well towards the customers at all times”*. Manager 3 clearly highlighted the fact that *“In any case where a member of staff has been found not to fully comply with the right behaviour, he/she has been called in and warned about the consequences accordingly”*.

As for the private bank managers, it was noticed that they seemed to be more vigilant about staff behaviour and that they tend to spend more resources on staff training. In support of their human resource strategies, manager 1 declared that *“We carefully select our staff and take them through a highly comprehensive training scheme which demands high quality of care for customers”*. He further highlighted that *“Staff behaviour throughout the week is carefully watched by supervisors, in particular those in dealing with customers. Whilst excellent staffs are offered extra bonus and perks, the poorer members of staff are severely punished and forced to retake more stringent training sessions”*. Three private bank managers pointed to the fact that they had instructed a team of experts to constantly and carefully follow staff behaviour in dealing with customers, and to *“Prepare a monthly report containing any cases of misconduct by staff. Such cases are carefully examined by the management and the staff involved would be disciplined accordingly”*.

On the issue of level of quality and fair treatment, most managers admitted that there had been no structured or formal means of customer surveys and that they had very little idea about whether there had been any gap between customers' expectations and

perceptions. At best, four private bank managers were found to have been involved in collecting some formal information and data about their customers and staff but highly irregular and inconclusive.

All things considered, from the information collected through the interviews of bank managers, it is evident that public sector banks appear to be rather sluggish to make changes; and hence are pessimistic about future developments vis-à-vis the emergence of a competitive environment.

7.3 Conclusions

The findings from the interviews of the 11 bank managers of both public and private commercial banks proved to be interesting and informative. The eleven open-ended questions were designed to capture as much information as possible to relate to market forces, quality, innovative products, and customer satisfaction and welfare. In seven cases the researcher noticed that these bank managers are aware of service quality and enhancement of customers' care, but had, in the main, failed to offer quality service due to the lack of competition. Equally, most bank managers were found to be aware of the helpfulness of regular feedback from their customers, but decided not to proceed with it, either due to lack of resources or willingness. Several issues were raised by the bank managers as being highly critical and important in offering a good quality service to the customer. First and foremost, as raised by all managers were the implementation of a speedy, fair and efficient credit-scoring system, enabling banks to allocate funds to individuals and businesses. Secondly, as highlighted by a majority of interviewees, inter-bank electronic transfers and increased involvement with international banks were regarded as vital in the development of the modern banking system in Libya. Finally, the most worrying issue for the banking sector in general, and the public banking sector in particular, was the concern over the emergence of further banking privatisation and the entry of new international banks. In particular, banks appear to be rather sensitive and critical to future changes in the market place and the possibility of job loss.

Chapter 8 DISCUSSION OF FINDINGS

8.1 Introduction

The results along with the analysis of survey questionnaires and interviews are presented in chapters five, six and seven. This chapter presents a concluding discussion about the salient issues depicted during the analysis of this research investigation. The results are compared with the literature reviewed in this thesis in relation to quality of the service and the customers. . It is worth noting here that the applications of both qualitative and quantitative approaches have been instrumental in leading to a set of comprehensive findings in explaining the gap between expectations and perceptions. In effect, the study has, both theoretically and empirically, shown the potential link between the two approaches in explaining the gap. The research hypotheses are tested in relationship to research questions and objectives. The following section 8.2 offers hypotheses testing with respect to the differences between the customers' expectations and perceptions of service quality in Libyan public and private banks. While section 8.3 presents and discusses the findings relating to the hypotheses tests of the differences between customers' expectations of service quality and the perceptions of employees` of these expectations in both public and private banks. It is important to indicate that hypotheses were tested in relationship to theory. The customers and employees were independent in answering the questions in the survey questionnaire and during the interviews. Finally, the chapter summary is presented in section 8.4.

8.2 Finding of customers' expectations and perceptions of service quality

This section provides discussion in the following three sub-sections about the results of three different but inter-related hypotheses:

- Expectation of service quality,
- Perceptions of service quality,
- Consumers' expectations versus perceptions of actual service delivery.

8.2.1 Testing the hypotheses relating to customers' expectations of service quality

(H01): There are no significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

(Hal): There are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

In a Libyan context, public and private banks customers' expectations of service quality are one of the leading aims in this research investigation. The results show that the customers' expectations of service provided from both public and private banks are similar in their high demands of service. The outcomes of this hypothesis are revealed in table 5.9 (chapter 5). It can be noted that the mean responses (about 50%) for the public banks were above 4.00 on the five point Likert scale compared to private banks, whereas, the private banks indicate that many of the mean responses (about %51) were above 4.00 on the five point Likert scale. These results suggest that the customers' for both the banks had higher expectations in reference to the banks' service quality. However, these results are comparable to that of Babakus and Boller, (1992); Kwan and Hee, (1994); Kangis and Voukelatos, (1997); Gerrard and Cunningham, (2001) and Arasli et al., (2005), who inferred higher expectations of the banks' customers.

The results of this study on both bank types show that expectations are highest with respect to the use of up-to-date equipment (a dimension of tangibility) in public banks, and bank records (a dimension of reliability) in private banks. The tangibility dimension in the public banks also found a high expectation in the appearance of bank employees. Whereas, the dimension of reliability in private bank also found a high expectation in the bank to have a sympathies with customers' problems. In this regard, the public banks should improve existing facilities, including its equipment and also stress upon the employees to project a pleasant and smart appearance towards the customers. Furthermore, the management should take into account that the staff must wear a uniform during working hours, and that premises are well decorated to attract the customers and to meet their expectations.

The attribution of relatively large importance to these items was out of keeping with the findings by Zeithaml et al., (1990), Parasuraman et al., (1991) and leads to the conclusion that the items of tangibles are the most important dimensions of quality

expectation. On the other hand, this finding is in keeping with those of Kangis and Voukelatos, (1997) who showed that the highest mean expectations of public and private banks was in the use of modern looking equipment because of the relatively recent introduction of these items in both banking sectors.

The results of this study demonstrate that the highest customers' expectations in public banks relate to the "tangibility"; "assurance" and "empathy" dimensions of service quality, whilst the highest customers' expectations in private banks are closely related to the "tangibility"; "reliability" and "assurance" dimensions of service quality. Therefore, in order for the public and private banks to improve their service quality they must concentrate on these dimensions through focusing on customers' expectations on the ability to perform the service reliably and accurately. Additionally, the physical facilities, such as equipment of the banks, together with the appearance of their personnel, and their employees' knowledge, courtesy and ability to convey trust and confidence are shown as being important customer expectations.

More specifically, both customer groups attribute relatively high values (greater than 4 on 5-points Likert scale, see table 5.9) in their expectations of tangibility and assurance features. Therefore, the customer' choices clearly show that tangibility is the most critical dimension in public banks. In the private banks, assurance is the most critical dimension. The results when considered collectively imply an important message from customers to banks, employees and managers of both sectors; that is to be courteous, to treat customers with dignity and respect and of most importance, explain to customers the security of their transactions.

Then again, these findings indicate importance in the empathy dimension by customers in public banks. Expectations in the empathy dimension, being of the lowest importance to customers may be due to increasing levels of care and to the individual attention provided to customers, as well as to the changing needs of their customers over time or possibly to differences in culture. Therefore, public banks should continuously strive to improve their tangibility and empathy if they are to meet their customers' high expectations. Private Banks should also continuously strive to improve their assurance and reliability if they are to meet their customers' high expectations. These findings are consistent with the views of Arasli et al., (2005) and Tahir and Abu Baker, (2007) but were not found in the bank customers studied by Kangis and Voukelatos, (1997), who

found that assurance and empathy are the least valued dimensions by the customers of both public and private banks.

The reliability element follows the low expectation scores as shown in the responsiveness dimension. Conversely, these findings indicate importance to the reliability dimension in both banks by their customers. This dimension can be broken into providing training to the employees, to respect the promises and to extending the services provision to the customers. Customers' comments indicate that public banks groups fail to meet their expectations in the reliability aspect and mean that this dimension could be improved by allocating resources and efforts to the training of employees to honour promises so that they are able to perform the service correctly, dependably and accurately. Many bank staff appear exceptionally worried by their work and though bank personnel were reasonable when seen, the service was irregular and of variable quality. Expectations in the responsiveness element, being of the lowest importance to customers may be due to increasing levels of care and to the individual attention provided to customers, as well as to the changing needs of their customers over time or possibly to differences in culture.

Hence, to improve customers' expectations of the Libyan banks' service quality, the employees and managers of Libyan banks have to focus on the functional aspects as found in the assurance, tangibility and empathy dimensions rather than the technical aspects captured in the responsiveness and reliability aspects.

The findings also indicate that customers' expectations were higher in the public banks than in the private banks. These inferences are consistent with earlier research such as Kangis and Voukelatos, (1997); Gerrard and Cunningham, (2001), who in their research approach found similar results. An explanation of these differences could be due to a greater level of customer's attention to the physical facilities, equipment, and appearance of personnel in the private banks more than in the public banks.

In support of the findings discussed above and thoroughly examined in chapter seven, a significant number of bank managers declared that they regard provision of facilities as of the utmost importance, particularly those relating to ATM and in-bank furniture. However, as stated by most public bank managers, resources are restricted and hence, any further improvements would be determined by the headquarters. Alternatively, the private banks tend to have more freedom in enhancing their facilities, for this reason,

satisfying customers' tangibility and assurance expectations. Moreover, as for staff responsiveness and courtesy, and other attributes of empathy, the findings from the interviews indicated that there are no structured and serious attempts at providing appropriate training for bank employees. This issue was more apparent and serious in public banks than in the private banks. For the most part, as noticed in chapter seven, the main problem, satisfying the real needs of customers is associated with a lack of structured contacts between customers and employees through regular feedback.

8.2.2 Testing the hypotheses relating to customers' perceptions of service quality

(H02): There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

(Ha2): There are significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.

Customers' perceptions of public and private banks had a different perception of receipt of service quality (the level of significance in 12 of 22 questions and 1 dimension) to those of the banks themselves. The respondents rated the perceptions of service quality, as better for the entire items in the private banks than to only 4 items in the public banks. The results of improved perceptions of service quality are consistent with several studies in the banking sector, which applied the SERVQUAL scale such as: Kangis and Voukelatos, (1997); Spathis et al., (2001); and Koutouvalas and Siomkos, (2006).

The reason why the respondents rated better perception of service quality in the private banks refers to privatisation; the private banks are liberated from central Libyan bank restrictions and in turn offer more flexibility and investment in the provision of service quality. The reason for this difference may also be that banks in the public sector do not manage the factors influencing quality perception as satisfactorily as the banks in the private sector do, and hence, receive a lower level of perceived service quality. Therefore, the public sector banks should look carefully at each one of the dimensions where customers perceive they receive a lower service than expected. The public banks have to consider finding the ways and means to increase the customer's perceptions of service quality. Another possible explanation that could be given is found in the different demographic characteristics of the users of public and private banks, which may reflect differences of ideas between the two bank groups. Such factors could be expected to

affect the perceptions of bank service quality (see for example Stafford, 1996; Spathis et al., 2001). On the other hand, Sharma and Mehta (2005) used another instrument i. e. (SERVPERF scale) to measure the differences between public and private banks in India and noted that the Indian customers of public sector banks did have a better perception of service quality than the customers of private sector banks.

The results indicate that there were significant differences for all the items in the "tangibility" element. The items that are the main contributors to this significant difference in this dimension and that the public bank is perceived as being better are in using up-to date equipment, in its physical facilities, in the well-presented appearance of its employees and also the suitability of the bank's appearance with the nature of the service provided. With the "reliability" facet the significant differences between the two banks lies in 2 of 5 items. The results show no further significant differences in this dimension for items 6 (Bank sympathy with customers' problems) and item 7 (providing proper service to the customer first time) respectively. The specific reasons for significant differences refer to private banks' perceptions in providing promises to the customers in this dimension. This means that the private banks' provided the services as and when required, and above all private banks offered precision during service transactions and statements particularly to new customers.

The results do not concur with Kangis and Voukelatos, (1997) who noted significant differences for all the items with the exception of two items (i. e. "using up-to-date equipment" and "provides services promptly and quickly to customers"). This inconsistency is also illustrated in the approach of Kangis and Voukelatos, who considered all the items of the responsiveness and assurance dimensions to be significantly different in their study. However, results agree that the items which make up all the elements show, there is a significant difference between customer perceptions in both public and private banks. Additionally, there is agreement that the public banks were seen to be far better than the private banks on all of those items.

Both the banks showed assurance as a higher dimension, while empathy was higher only in the public banks, whilst private banks had higher responsiveness dimensions. This indicates that these banks did perform relatively well on these facets. It seems to point to private banks having a greater willingness to help their customers and provide a prompt service than that which public banks offer their customers. Additionally,

the employees' caring and knowledge in private banks and their courtesy and ability to convey trust and confidence to their customers was rated as being higher than in the public banks.

According to the five service quality elements, the dimensions of tangibility show that the bank customers have different perceptions of the service quality for private and public banks. While comparing the responses concerning the banks, (public and private), there were no significant difference as regards four dimensions out of five, whilst on the other hand, one aspect was significantly different. Conversely, the public banks showed higher significant differences to the tangible dimension when compared to the private banks.

The results are not comparable with Kangis and Voukelatos, (1997) who used 12 of the 22 SERVQUAL items. However, these results are in keeping with the findings of Spathis et al., (2001) and the research study of Sharpe and Mehta, (2005). The lowest perceived value of service delivered related to the responsiveness of both public and private banks followed by the reliability of both public and private banks. Therefore, these banks should develop relevant strategies for increasing their reliability. They could include promotion of their recent achievements so that the customers are aware of these and place increased reliance upon the banks. The results of the lowest perceptions are not similar to that of Spathis et al., (2001) who used the Banking Service Quality (BSQ) scale to quantify customer perceptions in Greek public and private banks. These results also disagree with Sharpe and Mehta, (2005) who used another scale i.e. SERVPERF to assess customers' perceptions in the Indian banking sector. The above discussion suggests that both public and private banks in the Libyan context may perhaps consider improving their service quality by paying more attention to the promised services consistently and to put forward greater enthusiasm to ease out the customers over and above public banks. Furthermore, they should provide a reformed service, which is at least compatible nationally. The private banks must have a plan to provide higher levels of care and pay individual attention to its invaluable customers.

8.2.3 Testing the hypotheses relating to difference between costumers expectations versus perceptions of actual service delivery

(H03): There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

(Ha3): There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks.

Customer expectations versus perceptions of actual service delivery are examined by analysing the responses to the 22 questions, requesting their expectations of service delivery compared to the 22 questions on their perceptions of service delivery. Customer expectations in the public banks were greater in 13 items than their perceptions across the SERVQUAL items, whilst in private banks customer expectations were higher than their perceptions across all the SERVQUAL items. However with the exception of items (1, 2, 4, 7, 9, 10, 13, 17 and 19) the gap between customers' expectations and perceptions was smaller in the private banks than the gap in the public banks. Therefore, customers of private banks perceived themselves as receiving a better service compared with public banks. The difference of perception could be due to the services provision variability. The results are consistent with several studies that used the SERVQUAL scale to measure the gap between consumers' expectations and perceptions of service quality in the banking sector, such as Kwan and Hee, (1994); Kangis and Voukelatos, (1997); Gerrard and Cunningham, (2001); Arasli et al., (2005); Abdul Razak and Chong, (2007) and Tahir and Abu Baker, (2007), who found similar differences between the banks.

The results for perceived performance and expectation in the dimension of empathy had the widest gaps for public banks, while private banks did have similar openings in the tangible dimension. Public banks therefore, fail to meet the expectations in the empathy dimension, being ranked as of the lowest in importance to customers. This may be due to increasing levels of care and to the individual attention provided to customers, and finally, to the changing needs of their customers over time or possibly to differences in culture. However, private banks are not seen to be up to the desired standard in their physical facilities, which had a greater gap in this dimension, in addition to equipment, and appearance of bank personnel. A possible reason for such discrepancies is that the expectations of the bank customers are too high in respect to what the banks are capable of delivering. This would entail that prior to services delivery the banks should set the competitive approved standards in service quality to meet the expectations. Due to the advent of technology, the needs of the customers are changing; nevertheless, banks can take advantage of such technologies and become the best service provider to their customers.

The dimension of reliability shows the smallest gap in public banks and the lowest score among the five dimensions for expectation. This element could be improved by allocating resources and efforts to the training of employees to honour promises so that they are able to perform the service efficiently and accurately. The private banks' results for the empathy element had the smallest gap with the lowest score amongst the five dimensions for expectation. This would imply, from the viewpoint of Libyan customers in both banks, that the levels of caring and individual attention provided to customers are perceived to be least important of the five dimensions. The small size of the gap also shows that in these aspects of reliability and empathy, the service quality is the aspect that is most highly rated. The results are comparable with Abdul Razak and Chong, (2007). However, it disagrees with Gerrard and Cunningham, (2001) who found similar differences though did not use all the SERVQUAL items and dimensions to examine service quality in the banking sector. Above all, it can be seen, that across all the dimensions, the public banks have smaller gap scores than private banks. It means that the public banks' customers were more satisfied than those of the private bank customers. Of course, there might be reasons for such differences. For example, lower standards and eventually lower expectations, including different delivery mechanisms in the public banks than in the private banks.

The findings from the interviews, presented in chapter seven, also support the findings derived from the questionnaire, in that due to lack of staff training and communication, customers appear to be very concerned about the reliability and empathy aspects of their banks. Once again, these serious flaws stem from the fact that banks, particularly the public ones, tend to allocate fewer resources to staff training and progress and other developmental schemes.

8.3 Finding of employees' perceptions of customers' expectations of service quality

8.3.1 Testing the hypotheses relating to employees' perceptions of customers' expectations of service quality

(H04): There are no significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

(Ha4): There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

The results from the gap between employees' perceptions of customers' expectations and actual customers' expectations indicates that the employees in both the public and private banks had sensible knowhow about the service quality of customers' expectations. This can be seen in most of the 22 items, including all the five SERVQUAL dimensions. Therefore, customers of both banks are satisfied with the quality of service provided. The results of this study also found the employees of the Libyan public and private banks to have a good understanding of consumer expectations. Conversely, Klose and Finkle, (1995) who studied the congruency of employee perceptions and customer expectations in an electric utility also showed that employees had a good understanding of customer expectations. The present results also agree with Tse et al., (1990) wherein, they concluded that consumer's expectations were met through the quality of service provision. Therefore, one of the successful characteristics of service firms is employees who are able to fulfil the organization's service promise to its customers (Congram and Friedman, 1991).

In the current study, there were significant differences between both respondent groups across 14 and 13 items in the public and private banks respectively. This was due to the employees' overestimation of customers' expectations. In addition, the significant differences were because of the tangibility, reliability, responsiveness and empathy aspects in both banks and only assurance dimension in the public banks. These dimensions showed significant differences between the customers and the employees. Moreover, in all cases the employees overestimate the value of the dimensions placed by their customers in assessing quality. These results contrast with those of Douglas and Connor, (2003) who used the five SERVQUAL dimensions to measure the expectation gap in the hospitality sector.

According to overall service quality, the results also show that the employees of both public and private banks have an excellent understanding of their customers' expectations. This is indicated by the positive scores of the gap between employees' perceptions of the consumers' expectations of service quality occurring between employees' perceptions of customers' expectations and actually customers' expectations of both banks. Therefore, this gap may not be judged as a barrier contributing to the extent of service quality gap between customers' expectations and perceptions of service quality.

As stated earlier, the findings from the interviews also identified the serious gaps between customers' expectations and banks' perceptions. These interviews do strongly support the findings derived from the questionnaire in that customers expect much greater improvements in the tangibility, reliability, responsiveness and empathy dimensions of both groups of banks.

8.4 Dimensionality of SERVQUAL Data in the Libyan Banking Context

A broad range of factors and determinants help to explain service quality. Several researchers have developed lists of quality determinants, however the most well known are derived from the work of Parasuraman and his co-researchers from the USA, who found five service quality dimensions namely, tangibles, reliability, assurance, responsiveness and empathy. These form the basis of their service quality measurement instrument SERVQUAL (Parasuraman et al., 1988; Zeithaml et al., 1990). As a result of this work, the SERVQUAL instrument was developed, based on the gap model. The model works on the principle that service quality is a function of the difference in scores or gaps between perceptions and expectations. One major advantage of SERVQUAL is that it has been able to provide valid and reliable results from research conducted in a wide range of service contexts. Nevertheless, despite the widespread use of SERVQUAL, it has received a certain amount of criticisms. Many researchers have questioned whether it is possible to reduce service quality to five basic dimensions (Parasuraman et al., 1988 and Cronin and Taylor, 1992). They have suggested that SERVQUAL's dimensions depend on a specific research context, and are therefore not possible to apply universally (Cronin and Taylor, 1992; Brown et al., 1993; Gagliano and Hathcote, 1994; Ekinci and Riley, 1999; Kang and James, 2004). There have been critics maintain that the amount and composition of SERVQUAL's service quality dimensions is likely to be dependant on the service setting (Brown et al., 1993; Carman, 1990). In the service environments, such as Libyan banking sector, it has been suggested that the SERVQUAL instrument needs considerable adaptation (Dabholkar, Thorpe and Rentz, 1996) and that items used to measure service quality should take account of the particular factors of the service setting under investigation. Therefore, it is necessary to add, modify or delete some of the items, as required (Carman, 1990). In addition to contextual aspects, researchers also mentioned that culture may play an important role in determining the way consumers perceive what constitutes service quality. In brief, issues and opinions continue to vary with regards to the dimensions of service quality and the extent to which they can be applied (Rust and Oliver, 1994; Thorpe and Rentz, 1996). Users

of SERVQUAL and for all those who wish to better understand the concept of service quality in the Libyan banking context in particular, are affected by these issues. Hence, fundamental research into the dimensionality of service quality with consideration of the contextual circumstances, including the specific industry and the service settings, such as the Libyan banking industry, is still necessary.

8.4.1 The developed SERVQUAL Battery of Items

Due to the original SERVQUAL model (Parasuraman et al., 1988) having twenty-two items and five dimensions it has often been argued in the literature that SERVQUAL-based instruments should, without exception, contain this specific number of items. However, there is considerable empirical and theoretical support for a counter argument. Many empirical studies using a SERVQUAL model have been conducted with a different number of items, in each case appropriately designed to improve the measurement of the service attributes applying to the service setting under investigation (e. g. Yavas, 1998; Newman, 2001; Tan and Kek, 2004). In fact, the originators of the SERVQUAL model (Parasuraman et al., 1988) proposed at the time that it should be adapted to meet the needs of different environments of service under consideration. They also stated that SERVQUAL could be a basis on which researchers built their own scales, depending on the specific needs of individual studies (Parasuraman et al., 1988). Researchers therefore have grounds for adapting SERVQUAL, but must consider what they wish to capture in the way of information not perhaps within the scope of the original SERVQUAL model and what it is that is different about their research subject.

The modified SERVQUAL in this study initially consisted of items derived from two main sources: a) the generic SERVQUAL items and b) industry specific items. In the light of feedback from the pilot study, twenty of the original twenty-two items of the generic SERVQUAL model were included in the questionnaire used by this study, after being appropriately reworded, to be readily understood when translated into the Arabic language. The twenty-two SERVQUAL items have been widely discussed in the literature during the almost three decades since the creation of the model and will therefore not be elaborated upon here.

8.5 Evaluation of Interviews

In achieving the objectives of the research and in line with what discussed in the methodology chapter, the use of interviews as a supporting source of findings from the questionnaire was recommended. Chapter seven offered a detailed account of the findings from the interviews of 11 bank managers (public and private banks). The open-ended semi-structured interview questions, on the whole, covered a range of areas such as provision of modern facilities, general banking services and customer care measures and their views about the extent of potential competition from home and abroad.

In relation to the provision of modern banking services and quality facilities, almost all the interviewees – public or private - were unanimous that they needed to improve in a number of areas. In particular, the provision of debit cards for all, effective credit-scoring systems and the issue of inter-bank electronic transfer were regarded as being of the utmost importance in building relations with the international banking system. The findings from the interviews also demonstrated that at present credit scoring systems and approaches to risk management tend to be neglected in most banks; hence, making effective loan assessments seriously inadequate and incorrect.

It is evident that customers of banks, irrespective of whether they are public or private banks will always welcome modern facilities and services. For example ATM machines are very popular with customers; therefore, banks should endeavour to expand this facility. In addition, it is reassuring that staff furniture and computers are updated regularly. The continued assessment of facilities and services as perceived by staff and customers should be implemented regularly. This will enable banks to identify how well employees and customers feel regarding facilities and services.

In relation to the banks, they are prepared to assist customers and employees with their problems. Moreover, almost all the interviewees in both types of banks have to perform their best to satisfy their customers, and if there are any complaints or issues they attempt to handle them carefully. It appears that issues or problems arising from staff relations were more seriously considered, and attempts made to resolve them because employees who are content will attend to customers' needs and problems more carefully. The findings from the interviews also revealed to the researcher that they seemed to be more involved in problem solving and the welfare of both customers and staff. One reason for

the importance of service recovery is that customers need to notice that banks care about their problems, and find it unacceptable when banks are slow in dealing with problems, or if too much effort is needed to find someone to handle them. Therefore, an important benefit gained from creating service recovery strategies is that it prevents customer defections to alternative service providers, on the basis that if their problems are resolved in a timely and satisfactory manner, the majority of customers will undertake repeat business with their bank. Furthermore, if banks manage the needs and problems of their employees through committees or small teams; the same approach should be applied to the needs of their customers, in order to prevent defections.

In relation to speed of response to customers and staff queries, findings from the interviews suggested that they must be willing to act promptly to meet the needs of their customers, as customers are crucial to any successful business. As it is also apparent that there are staff members within the banks that are in charge of the welfare of the employees, making sure that any issues are resolved promptly, they should also be an individual in charge of customer relationships to ensure that any issues affecting the customer are answered efficiently and politely. This is very important because if customers are well treated they are likely to continue undertaking business with the same bank and also likely to recommend the bank to friends and family. Thus, the bank will be known as a business that has excellent customer relationship management. Consequently, a speedy response to customers' issues and problem cannot be over emphasised and is essential.

Examining staff treatment of customers it is clear that private banks are more pro-active on this than public banks. However, all the banks believe that is vital to the extent that they actually monitor staff on a daily basis to ensure that customers are being treated fairly. Employees have to be trained how to deal with customers, therefore, it is no surprise that it was established from the interviews that banks support staff training through human resource strategies. Thus, in due course improved competition combined with staff training will improve how staff treats its customers.

In relation to customer care measures, findings from the interviews demonstrated that there is no regular or systematic collection of customer feedback, nor any marketing activities in place. This is particularly so among the public banking sector, as they primarily deal with a certain type of clientele – public sector employees – who mainly

hold current and saving accounts for withdrawal of their salaries and savings. In such an environment, as discussed by many interviewees, no genuine incentive remains for such banks to enter a feedback collection process which is expensive to perform. In doing so, the researcher is led to believe that all banks, be they large or small, private or public, tend not to be aware of the demand for quality services and appear to be unsuccessful providing the types of services and products that their counterparts in Europe and the USA offer to their customers.

Whilst the managers of public banks were established to be unaware of competition, their counterparts in the private banking sector were discovered to be divided on the issue of a competitive environment. Some were of the view that further privatisation of existing public banks would provide them with a competitive edge, as these banks would currently not be robust enough to compete in a hostile and competitive environment. Conversely, some were worried that the opening up of the banking market may encourage foreign banks to enter the Libyan market and hence, out-compete existing banks. For the most part, despite the negative and sombre mood amongst Libyan bankers' vis-à-vis international competition, the private banks tend to feel that they will be better off once real competition starts, given that the public banks are currently inefficient and incompetent in all aspects of banking.

On the issue of level of quality and fair treatment of staff and customers, most managers admitted that there had been no structured or formal means of customer surveys and that they had very little idea with regards to whether a gap existed between customers' expectations and perceptions. At best, some private banks were found to have been involved in collecting some formal information and data about their customers and staff; however, the process has tended to be highly irregular and inconclusive.

It has also been noted that managers perceive that services are highly credible, customers prefer to open new accounts and have confidence in the bank, and the promises made by the bank have been met to a large extent. Most bankers feel that public banks provide a world class service to its customers, as they offer portfolios to their customers that contain superior products and services in order to enhance their credibility.

Private bankers revealed that they also provide services as promised in a well-disciplined manner. Interestingly, it can also be observed that managers of the private

banks have better equipment and training for service delivery. In addition, it has also been recognized that the number of customer complaints have decreased gradually and bankers are adding new customers on a regular basis. Thus, private banks perceive that they are seen as having similar credibility to the public banks.

Managers should make every effort to ensure that the role of employees is fully understood by them. Even so, effective training programmes can help relieve employees' role ambiguity (Hartline and Ferrell, 1993). Reducing role conflict may depend on the managers' communication with their employees (Reardon and Enis, 1990). Management ability to effectively alleviate the employees' role conflict and ambiguity, and emphasizing the objective of superior service quality play a vital role in enhancing customer service. In addition, the working environment in the organization plays a vital role in enhancing employees' performance. Managers must find ways to make the working environment supportive and more comfortable to contact employees. In reality, a good working atmosphere with regard to employees' supportive supervision and comfortable working environment could positively influence the bank's service quality. Moreover, managers should be aware that employee's service vision has a direct impact on customers' perceptions of service quality (Berry, Parasuraman and Zeithaml, 1994; Bitner, Booms and Tetreault, 1990; Jones and Sasser, 1995).

Managers must reinforce the importance of service quality and customer satisfaction by consistently communicating a service vision for the firm. Moreover, getting employees to feel responsible for meeting and exceeding customer needs, and creating lasting impressions of the bank are important in delivering high levels of service quality. It can be argued that, having service oriented people at all levels of the organization is linked with an organization's ability to improve customer service.

In addition, the challenges for the service managers are to select and recruit employees who have the ability to deal with external customers. In recruiting employees, the managers have to be sure that contact employees have the skills to satisfy bank customers' needs. Managers are recommended to find different ways to increase contact employees' job satisfaction. The service encounter lies in the interaction between contact employees and customers; satisfied employees are more likely to engage in behaviour that assists and satisfies customers, because employees who perceive high levels of job satisfaction will have higher levels of work effort and job performance. Meeting

employees' wants and needs is very important to increase staff job satisfaction. By meeting the needs of personnel, the bank upgrades its capabilities for satisfying the needs of its customers.

On the whole, from the information collected through the interviews of bank managers, it became evident that the banking sector in Libya appear to be rather sluggish to make changes; and hence are pessimistic about future developments vis-à-vis the emergence of a competitive environment.

8.6 Summary

This chapter has presented the procedures, findings and discussion emerging from the data analysis in this research, presented in chapters six and seven. The interpretations of the results have been guided by previous empirical studies in the context of examination of the relevant literature review. The first section of this chapter focused on examining and comparing the difference between customers' expectations and perceptions of service provided by both Libyan commercial public and private banks. The second section was concerned with examining and comparing employees' perceptions of customers' expectations and customers' actual expectations in these banks.

In support of the findings based on empirical investigations, this chapter has made reference to the results from the interviews of bank managers, presented in chapter seven. In particular, it was stated that customers would like to see significant improvements in tangibility, reliability, responsiveness and empathy dimensions. The next chapter will consider the study's principal findings in more detail, and provide recommendations for further study.

Chapter 9 CONCLUSIONS AND RECOMMENDATIONS

9.1 Introduction

The final chapter of this study presents the conclusions and recommendations derived from the research. There is an overall summary of the study's most important findings, together with details of the conclusions drawn from them. The findings of the questionnaire survey were presented and analysed in chapters five and six of this study and the findings of the interview were presented and analysed in chapter seven. These findings were then discussed, summarised, then reviewed and validated in relation to the review of literature. This analysis forms the basis of the research findings. This chapter will discuss briefly some of the significant conclusions that can be drawn from the empirical work. The limitations of the study are then outlined, and this is followed by suggestions for the direction of future research prompted by the findings of this study.

Service quality plays a pivotal role in making a business successful especially in the banking sector. The key advantages in the business sector organisation such as customer satisfaction, customer loyalty, financial performance and profitability can be achieved through the provision of a quality service. The provision of a quality service can bridge the distance amongst customers and hence, can make organisations viable and liable to generate revenues for profits. This aspect especially was the motivation for conducting this research in public and private Libyan banks.

In this research, the data was collected to measure the most frequently practiced aspects such as service quality dimensions (i.e. reliability, assurance, responsiveness, empathy and tangibility) from the banking sector in Libya. It is firmly believed that these aspects directly affect the banking sector if they are not taken into consideration.

The SERVQUAL model was used to observe the differences between customer' expectations and perceptions of service quality in the Libyan public and private banks, including employees' perceptions of customers' expectations and customers' expectations of the service provision by the banks.

Nevertheless, the SERVQUAL model has been severely criticised by many researchers. This was due to the extent to which it is possible to apply it to different cultures and industries.

In addition, the model was not intended for explaining the dimensions. In contrast to former explanations about the criticism, Wang et al., (2003); Tahir and Wan Ismail, (2005) the debate moved further on and discussed the model's acceptability in a number of service oriented contexts. In addition to the above, Brady, Cronin and Brand, (2002) noted the model's application by academics and managers, therefore, it can be concluded that the model is proficient for practicing across cultures and industries to strengthen and extend the knowledge base. More remarkably, this research used the SERVQUAL model for measuring service quality in Libyan public and private banks and added knowledge to the literature in presenting inferences to the research issues. Indeed, the model tested reliability, validity and dimensionality.

It was pointed out in chapter one that the major aims of this research were:

1. To examine and compare service quality in the Libyan commercial public and private bank by using SERVQUAL questionnaire from customer's (received service) standpoint. In order to achieve this aim of the study, the three objectives are formulated.
 - To examine customer expectation of service quality between Libyan commercial public and private banks.
 - To assess customers' perceptions of service quality between Libyan commercial public and private banks.
 - To analyse differences in customers' expectations and perceptions' of service quality between Libyan commercial public and private banks.
2. The second aim of this study is to examine and compare service quality in the Libyan commercial public and private bank by using SERVQUAL questionnaire from employees' (provided service) standpoint. In order to achieve this aim of the study, the one objective is formulated:
 - To assess employees' perceptions of customers' expectations and actual customers' expectations in both types of Libyan commercial public and private bank.

In accordance with the aims of this study, the t-test was utilised to achieve the aims of the research in which an independent sample t-test was used to examine the first, second and fourth objectives. However, examination of differences between customer's expectations and perceptions' of service quality in both banks was achieved by paired sample t-tests.

9.2 Summary of the research findings

There are two major results which can be drawn from this study: Firstly, both Libyan commercial public and private banks' showed differences between customers' expectations and perceptions of service quality. Secondly, both public and private banks also indicated that there are differences between customers' expectations of service quality and the perceptions of employees of these expectations. The results are presented in the following sub-sections.

9.3 The results of hypotheses tests relating to customers' expectations and perceptions of service quality

9.3.1 The results of hypotheses tests relating to customers' expectations

The first hypothesis was utilised to achieve the first objective of this research (examination of customers' expectations of service quality between Libyan commercial public and private banks). A summary of this hypothesis and their results are presented in Table 9.1. These results suggest that there are significant differences between both bank types with regard to customers' expectations of the service quality provided by both banks.

Table 9-1 Summary of the research hypothesis relating customers' expectations of service quality

Place of significant differences	Mean		T	Sig
	Public bank	Private bank		
Item1 (Using up-to-date equipment)	4.69	4.36	5.80	.000
Item 2 (The physical facilities of the bank)	4.18	3.95	2.89	.004
Item 9 (Bank records)	4.10	4.44	-1.36	.000
Item11 (Provide services promptly and quickly to customers)	3.49	3.81	-2.71	.007
Item 13 (Responding to customers' requests)	3.51	3.78	-2.36	.018
Item 14 (The impact of employees' behaviour on customers)	4.14	4.35	-2.32	.021
Item 15 (Customers' treatment by the bank)	3.95	4.28	-3.59	.000
Item 16 (Employees' behaviour with customers)	3.89	4.22	-3.68	.000
Item 20 (Employees attention to customers)	4.31	3.96	4.13	.000
Item 22 (Bank employees' awareness of customer needs)	4.36	3.93	4.30	.000
Tangibility	4.35	4.16	3.887	.000
Reliability	3.79	4.00	-3.222	.001
Assurance	4.10	4.31	- 3.489	.001
Empathy	4.15	3.94	3.236	.001

The results summarised in table 9.1 are presented as follows:

- Customers of both public and private banks have high expectations in relation to service quality provided by these banks.
- Customers' expectations of banks services were higher in the private banks than in the public banks.
- There are significant differences between customers' expectations in both banks show in ten of twenty two items. This significant show in the tangibility, reliability, assurance and empathy elements.
- The highest customer expectations related to the tangibility, reliability, responsiveness, assurance and empathy dimensions, which make it the best opportunity for development.

Accordingly, it can be stated thus, the null hypothesis (HO1) is rejected, that there are significant differences in customers' expectations of service quality between Libyan commercial public and private banks.

9.3.2 The results of hypotheses tests relating to customers' perceptions

These results provide evidence which enables an answer to the second objective of this research, (examination of customers' perceptions of service quality between Libyan commercial, public and private banks). A summary of these results is presented in table 9.2. These results suggest that there are significant differences between both bank types with regard to customers' perceptions of the service quality provided.

The results summarised in table 9.2 are presented as follows

- Customers' perceptions of the banks services were higher in the public banks compared with the private banks. Thus, public banks customers' perception was that they received a higher level of service quality than those from the private banks.
- There are significant differences between customers' perceptions in both banks as shown in 12 of 22 items and in one dimension, as shown in the table below.

Table 9-2 Summary of the research hypothesis relating customers' perceptions of service quality

NO	Mean		T value	Sig
	Public bank	Private bank		
Item 1 (Using up-to-date equipment)	4.66	4.14	8.54	.000
Item 2 (The physical facilities of the bank)	4.03	3.70	4.05	.000
Item 3 (The appearance of bank employees)	4.34	4.08	3.25	.001
Item 4 (Suitability of bank appearance with the nature of service provided)	4.10	3.73	4.02	.000
Item 5 (The banks' promises to customers)	3.40	3.68	-2.57	.010
Item 8 (Providing service at the time promised)	4.00	3.80	2.06	.039
Item 9 (Bank records)	4.01	4.28	-2.94	.003
Item 11 (Provide services promptly and quickly to customers)	3.06	3.48	-3.42	.001
Item 12 (Willingness to help customers)	4.30	3.88	4.70	.000
Item 16 (Employees' behaviour with customers)	4.08	4.32	-2.71	.007
Item 18 (Bank caring for customers)	3.88	3.69	2.04	.041
Item 21 (Bank attention to the interest of customers)	4.13	3.93	2.02	.044
Tangibility dimension	4.28	3.91	6.928	.000

Lastly, the key differences between private and public banks' customers in relation to the perceptions of service suggest that the second null hypothesis is rejected that there are

significant differences in customers' perceptions of service quality of commercial public and private banks because the probability (p-value) of these items was less than 5%.

9.3.3 The results of hypotheses tests relating to customers' expectations and perceptions

This hypothesis was utilised to achieve the third objective of this research, (examination of the differences between customers' expectations and perceptions of service quality in both types of Libyan bank). These results suggest that there are significant differences between both bank types with regard to the gap between customers' expectations and perceptions of service quality provided by both types of Libyan bank.

The major findings indicate that the gap between customers' expectations and perceptions of services provided by public and private banks is generally widest in public banks in the majority of the 22 items. The gap is greater in the public banks than those of the private bank in two service quality dimensions: assurance and empathy. On the other hand, the gap is greater in the private banks than those of the public banks in three service quality dimensions: tangibility, reliability and responsiveness. The results from the analysis indicate that these differences related to all the 22 items and the five SERVQUAL dimensions in which customer expectations in public banks were greater than their perceptions of actual service delivery either in the 13 items or the five dimensions of service quality.

Whereas, the results from the analysis indicate that these differences related to all the 22 items and the five SERVQUAL dimensions in which customer expectations in private banks were greater than their perceptions of actual service delivery either in the 20 items or the five dimensions of service quality. It indicates also that the greater gaps shown in assurance and tangibility dimensions in consideration that it appear to be the most important dimensions by the customers as a whole.

Therefore, it indicates that there are significant differences between the customers' expectations and perceptions of the service provided by both commercial public and private banks.

In relation to what is stated above, the third null hypothesis is also rejected owing to there being key differences between the service quality perceptions and expectations of customers in both types of bank.

Lastly, Table 9.3 provides a hypotheses test summary, showing that all three hypotheses are rejected at the 1 and 5 per cent levels of significance.

Table 9-3 Summary of hypothesis tests

Hypotheses	Decision	Conclusion
H01. There are no significant differences in customers' expectations of service quality between Libyan commercial public and private banks.	Rejected	Expectations of ten items and tangible, Reliability, assurance and empathy dimension between both public and private banks are significantly different at less than the 0.05 level.
H02. There are no significant differences in customers' perceptions of service quality between Libyan commercial public and private banks.	Rejected	Perceptions of private banks are significantly higher than that of public at less than the 0.05 level
H03. There are no significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks	Rejected	There are significant differences in customers' expectations and perceptions of service quality between Libyan commercial public and private banks

9.4 The results of hypotheses tests relating to employees' perceptions of customers' expectations and actual customers' expectations.

This hypothesis was utilised to achieve the fourth objective of this research, (examination of the differences between employees' perceptions of customers' expectations and actual customers' expectations). A summary of this hypothesis and their results is presented in table 9.3. These results suggest that there are significant differences between employees' perceptions of customers' expectations in both banks. The results summarised in table 9.3 are presented as follows:

- Employees' perceptions of customers' expectations in both banks had high scores in the bank's service quality.

- The employees significantly overestimate the expectations of their customers in fourteen items in public banks and twelve items in private banks.
- Employees also significantly overestimate the expectations of their customers in tangibility, reliability, responsiveness, assurance and empathy dimensions in public banks and tangibility, reliability, responsiveness and empathy dimensions in private banks.
- There are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

Table 9-4 Summary of the research hypothesis relating employees' perceptions of customers' expectations and actually customers' expectations

Place of significant differences	Employees Mean	Customers Mean	Gap	t	Sig
Public banks					
Item 1 (Using up-to-date equipment)	4.41	4.69	-0.28	5.327	.000
Item 4 (Suitability of bank appearance with the nature of service provided)	4.03	4.23	-0.2	2.438	.015
Item 5 (The banks' promises to customers)	4.24	3.65	0.59	-6.315	.000
Item 7 (Providing proper service to the customer the first time)	4.10	3.32	0.78	-7.279	.000
Item 8 (Providing service at the time promised	4.11	3.32	0.79	-2.692	.007
Item 9 (Bank records)	4.45	4.10	0.42	-7.173	.000
Item 10 (Telling customer from the time of providing service)	4.17	3.96	0.21	-2.488	.013
Item 11 (Provide services promptly and quickly to customers)	4.16	3.49	0.67	-6.388	.000
Item 13 (Responding to customers' requests)	4.17	3.51	0.66	-6.500	.000
Item 15 (Customers' treatment by the bank)	4.28	3.95	0.39	-3.746	.000
Item 16 (Employees' behaviour with customers)	4.31	3.89	0.42	-5.004	.000
Item 18 (Bank caring for customers)	4.25	3.80	0.45	-5.355	.000
Item 19 (Suitability of opening hours for customers)	4.42	3.99	0.43	-4.916	.000
Item 22 (Bank employees' awareness of customer needs)	4.18	4.36	-0.18	1.994	.047
Tangibility	4.24	4.35	-0.11	2.285	.023
Reliability	4.21	3.79	0.42	-7.173	.000
Responsiveness	4.18	3.77	0.41	-7.084	.000
Assurance	4.27	4.10	0.17	-2.788	.006
Empathy	4.31	4.15	0.16	-2.745	.006
Private banks					

Item 1 (Using up-to-date equipment)	4.56	4.36	0.2	-3.196	.002
Item 2 (The physical facilities of the bank)	4.24	3.95	0.29	-3.563	.000
Item 4 (Suitability of bank appearance with the nature of service provided)	4.33	4.06	0.27	-3.755	.000
Item 5 (The banks' promises to customers)	4.36	3.83	0.53	-6.663	.000
Item 7 (Providing proper service to the customer the first time)	4.20	3.52	0.68	-8.620	.000
Item 8 (Providing service at the time promised)	4.23	3.99	0.24	-2.856	.005
Item 9 (Bank records)	4.27	4.44	-0.17	2.472	.014
Item 11 (Provide services promptly and quickly to customers)	4.23	3.81	1.05	-4.882	.000
Item 12 (Willingness to help customers)	4.23	4.07	0.16	-1.998	.046
Item 13 (Responding to customers' requests)	4.18	3.78	0.4	-4.358	.000
Item 17 (Knowledge and understanding of bank employees)	4.11	4.37	-0.26	3.493	.001
Item 18 (Bank caring for customers)	3.99	3.72	0.27	-2.826	.005
Item 22 (Bank employees' awareness of customer needs)	4.24	3.93	0.31	-3.648	.000
Tangibility	4.36	4.16	0.20	-4.501	.000
Reliability	4.25	4.00	0.25	-5.401	.000
Responsiveness	4.19	3.93	0.26	-4.640	.000
Empathy	4.09	3.94	0.15	-2.851	.005

Lastly, as can be seen in table 9.3, significant differences are noted between both types of bank in relation to the expectations of customers and the employee perceptions of such across all 22 items and the five service quality dimensions. An overview of these differences is provided in table 9.4.

Table 9-5 Summary of significant differences between employees and customers

Place of difference	Public	Private
Items	Differences in fourteen items	Differences in thirteen items
Dimension	Tangible , reliability , responsiveness, assurance and empathy	Tangible , reliability , responsiveness and empathy
Overall service quality	Differences	Differences

Thus, H01 is rejected and the alternate hypothesis Ha1 is accepted that there are significant differences in customers' expectations of service quality and employees' perceptions of these expectations between public and private banks.

9.5 Key Findings of semi-structured interviews

The sample of managers that had previous experience of services possessed significantly higher expectations of the service than those that did not and this was a key finding of the study. Grönroos (1984), Parasuraman et al. (1985) and Robledo (2001) stated that past experience amongst other factors, word of mouth, media and public relations formed the managers' expectations. It is of benefit to measure both the expectations and perceptions of the manager in both type of Libyan banks sector. It benchmarks the managers' perceptions against their expectations of the service quality of an organisation. Management are therefore able to identify the determinants that require attention in order to maintain their service quality with a positive gap or to improve the gap if a negative gap exists or could potentially exist. That a semi-structured-interview sequentially following the analysis of the SERVQUAL questionnaire provides deeper and perhaps more meaningful information. This was also found in the study of Curry et al., (1999).

The interviews provided another layer of information that contributed extremely well to the overall understanding of the service quality in Libyan commercial banks.

9.6 Contribution to Knowledge

The objectives, which are presented in the first chapter, were addressed through the use of the extended SERVQUAL model. It mentions that this study is the first in the banking sector of Libya. The first objective was to examine customers' expectations and perceptions of service quality in Libyan commercial banks, (examination from customers' standpoints), whilst the second objective was to examine employees' perceptions of customers' expectations of service quality, (examination from the bankers' viewpoints). On the basis of the review of the relevant literature and in the light of the research's observations, the study's main contributions revolved around using the extended SERVQUAL model as the first study in the banking sector to do so. In addition, unlike previous studies, the results of this study indicated that the tangibles dimension was more prominent. Discussion of the principal contributions of the study is presented below:

1. A review of the literature on service quality and customer satisfaction reveals that, prior to this study; little, if any, information was presented on the subject of the measurement of customers' expectations and perceptions of service quality in the Libyan banking sector. A thorough review of the literature for this study revealed a total inadequacy within the current body of knowledge relating to predicting service quality by examining expectations and perceptions of bank customers in this sector. Considering the state of the literature in evaluating service quality by examining expectations and perceptions of bank consumers in commercial banks in Libya, it is obvious that this is an area that has not been thoroughly researched. Therefore, it was not difficult to establish the fact that a sufficient gap in the literature exists to indicate that an empirical study was justified and required.
2. It is accepted that research about service quality in the developed economies has been undertaken on a large scale. The related topics in service quality have been thoroughly examined. While this is not the case for many developing economies, and Libya is a leading example. Yavas et al., (1997); Angur et al., (1999); and Sureshchandar et al., (2002, 2003) recognised the insufficiency of knowledge about financial service quality in Libya. This gave rise to examining customer's

expectations and perceptions of service quality, the customers and bank employees in the Libyan commercial banks added value and bridged the gap in the literature of the banking sector. Therefore, there is at least another addition to the very limited number of studies on service quality conducted in developing economies in general and predominantly in the Arabian Peninsula. For that reason, this research provides a means of conducting further research in the other Arabian countries, especially in the developing economies. This also offers a way forward for conducting research comparisons even in advanced economies.

3. The point was made in chapter 3, that many researchers conceptualized service quality as a gap between customers' expectations and perceptions of service quality such as: Lewis, (1991); Kangis and Voukelatos, (1997) and Petridou et al., (2007). It can be maintained that only a few of the research studies focused on measuring the service quality of the employees, in particular those in the banking sector. Therefore, this issue remains important with regard to what the bankers anticipate and the magnitude of the customers in terms of delivered service. Similarly it might become an important problem for a bank. The staff might think that they are providing the best services, but practically, the customers' needs were mistakenly understood and hence, the issue or problem was not resolved. This therefore suggests that organizations must acknowledge the views of the employees, who can play a central role in influencing the service provision for customers.
4. Some of the researchers of the early and late 90s, such as Mindak and Folger, (1990); Zeithaml et al., (1990) and Athanassopoulos, (1997) pointed out that the measurement of service quality in the gap between customers' expectations and perceptions may be insufficient. The above scholars also recommended the necessity and importance of involving all parties concerned in the service process. Schneider et al., (1980); Silvestro and Johnston, (1989) and Bitner et al., (1990); Edvardsson et al., (1994) and Athanassopoulos, (1997) understood the significance of customers but from the expectations. There are opportunities for organisations to alleviate and improve the quality of the services. However, at the same time, Lewis and Entwistle, (1990) and Blanchard and Galloway, (1994) understood the importance of customers' expectations from employees, and were

also required to have standards in customer service delivery. Therefore, the importance of recognition will be justified when conducting empirical research. The outcome will make a contribution to the body of knowledge about predicting customers' and bankers' perceptions of service quality. However, the inferences in this research can be equally used or practiced in the general perspectives of the service quality.

5. The research processes and findings are expected to be of use to different agents in Libya. First and foremost, in the light of recent moves towards financial liberalisation in Libya, it is now paramount that the banking sector, public or private, must make every effort in promoting service quality to meet customers' expectations. This issue was raised by almost all bank managers in the interviews. Secondly, the findings of this research would provide the government with the areas where shortcomings and poor quality are addressed; hence enabling them to allocate more efforts and resources to remedy such problems. Finally, both personal and business customers of Libyan banks may be interested to know the main issues and problems facing their banks; and hence learn how these obstacles could be removed.

9.7 Recommendations of the research

The service organisations can take advantage of measuring service quality because of its potential to provide specific data, which can be used in quality management. In using this information, quality service can be maintained through continuous monitoring. The ability to assess service quality and to use this assessment to provide a better understanding of how various dimensions affect overall service quality would enable organizations to efficiently design the service delivery process. The organisation can increase their efficiency through distribution of resources, and bank service quality strengths and weaknesses must be made known to the implementers. The external customers can be better managed if internal services are improved, and it is recommended that the potential recipients can easily take advantage of this. The increased service efforts however can offer and enhance ultimately the satisfaction of the customers.

This research noted two conspicuous gaps between customers' expectations and perceptions of service quality in the Libyan public and private banks, and the gap between

bankers' perceptions of customers' expectations and actual customers' expectations shows that some gaps (i.e. identified problems), which were revealed have existed among customers of commercial banks towards the service quality they offered. Therefore, it is recommended for research to be undertaken into this aspect to provide resolution for the practitioners. Likewise, the management in both types of bank should use the monitoring processes so that the customer's satisfaction can be increased, as opposed to customer dissatisfaction. However, both types of bank can introduce periodic customer audits and customer service evaluations. This etiquette of the management can bridge the gap easily in the long run. In doing so, the banks can make correct and viable decisions. At the very least, the management in both the banks can plan their actions and minimise the deficiencies in service provision. The management in the commercial banks in Libya should seriously examine the customer service system as well as the corporate quality programs. This analysis can alleviate the credibility of the commercial banks, and ultimately, Libyan banks can compete globally.

It is observed that service quality plays a central role in making the new financial services organisation successful. It is also noted that the competitive edge in banking derives almost exclusively from service quality. It is believed that it is appropriate for the management of the commercial banks to seriously examine their corporate quality programmes and customer service systems. Furthermore, they also need to assess whether their performance measures are measuring quality, as it is perceived by their own customers rather than according to a generic checklist. There are general approaches which cannot be overlooked by the management.

In so far as, this research is concerned, it is categorically recommended to measure performance for quality. This recommendation indirectly suggests that in doing so, re-routing the resources could become expensive but to achieve the goals, the management in both types of bank should find ways to avoid such difficulties, or become ready to face increasing defections to more competitive international banks. The banks on their own can compete in making changes to the services. The availability of information can provide easy ways for the management to decide effectively, therefore, both types of bank in this context should raise awareness among the employees to target appropriate information, in order to remain competitive.

Therefore, this research strongly recommends that service quality should be part of policy making. The subsequent challenges and threats would be addressed accordingly, once this is in place. This can bring the Libyan banking system on a par with other competitors globally. The procedures and processes involved for dealing with bank customers should be improved and banks should also offer compatible services to keep their existing customers intact. This will eventually increase the efficiency of the staff in both types of bank. It is necessary to accept that the nature of customer service is complex and dynamic, and changes must be considered to ultimately improve services.

The service quality improving phenomenon is not static but conversely this refers to undertaking surveys regularly in the service organisations. The banks thereafter can take advantage and improve themselves so that the customers have realistic expectations. These aspects can be further refined, if managers in the banks interact with the customers directly and this can directly strengthen the customers' insight into their expectations. This can be better bridged where managers become involved themselves during the delivery of services to customers. This experience can eventually improve service quality and hence, delivery. The customers' expectations can be met if service marketers offer service training programmes to raise the awareness of managerial staff and front-line service providers. The latter has then to communicate the service standards to the former.

The banking sector, in both public and private commercial banks in Libya, undertakes investment in providing training to their employees with a specific focus upon service quality. This is more necessary for the front line staff in both types of bank. In fact, the employees in both types of bank are the banks' assets and therefore, banks should focus on interpersonal communication and customer care factors in order to address the customers' needs. The banks should create an environment where the customers can realise the differences in the provision of services. If customers are dealt with in an expert manner with a professional approach, this kind of approach can promptly recover service failures surely and certainly. Consequently, this can result in high customer satisfaction and retention, and it can also extend the zone of customer tolerance to service failures. As a result, both types of bank can increase their loyal customers, if the banks consider applying all of the above into their working style.

This is the second decade of the 21st century, where the use of technology is a priority in service organisations. It is likely that the staffs in both types of bank are not

well versed with the application of modern and sophisticated technology and the various processes and procedures. It is therefore recommended that the management in both types of bank should identify the weaknesses in the employees and then arrange training for employees preferably with regards to job training. The management of the banks must consider electronic services and their provision to customers. The banks can arrange talks with the customers to highlight the benefits in electronic services. In having competitive electronic services, the banks in Libya can compete further in the provision of services. What is more, both types of bank can make reference to service training, as this should be market driven. Therefore, the banks' personnel department can include this aspect into their training programs. The staff can then enhance their identification skills and amicably manage the front line services. Furthermore, the staff can also understand the customers' expectations.

It is also recommended that both public and private banks in the Libyan context should use the mean scores for quality perception that can be obtained by the different SERVQUAL dimensions in order to formulate strategies, and hence improve the current level of service quality. Therefore, this suggests directly that Libyan commercial banks should centre attention on the quality dimensions. The quality dimensions such as reliability and tangibles matter to the majority of their customers. There should be strong commitment to improving the levels of service quality more effectively and efficiently. This can be done, if banks improve their branches by presenting physical facilities, including materials and equipment coupled with the service, as well as the use of up-to-the-minute banking technology with the business-like appearance of its staff, as regards the reliability dimension. The Libyan commercial banks can affirm their promises to pay attention to their customers. The aim should be to provide proper, appropriate, and competitive services especially to the newly introduced customers. The banks records should be clear so that whenever customers ask for any information this should be provided without fail. The accuracy in the banks' records can further fulfil the customers' expectations, and this can take place through the quality service. Both types of bank can take advantage of this data and present competitive services to its old and new customers. Therefore, the above information clearly sets aside the issues and moreover, provides a strong foundation for the banks to improve their image within these dimensions. The banks in the Libyan context therefore should develop a way of dealing with the customers

by making the system simpler, faster, more steadfast, more efficient, and hence, quick to respond to serve customers' needs.

To conclude, in order for public commercial banks to compete more efficiently and effectively in the market place, they need to be more sensitive to meeting customers' requirements with regard to the quality dimensions most important to them: reliability and tangibility.

9.8 Limitations and directions for further research

9.8.1 Limitations of the study

Regardless of many efforts, this research certainly faced unpredicted limitations, though initially, many steps were taken to avoid impacts upon the research processes and procedures. However, the following are the limitations which were encountered during this research investigation.

First of all, this research does not present a representative sample of the whole of Libya; for that reason, this is geographically limited to the banking sector. The increasing costs, long distances and time were the apparent limitations. This research could only target three regions; the eastern, western and southern regions, although the under researched regions have the largest population basis and hence, represent the banks accordingly.

Secondly, the public banks were the oldest institutions compared to the private banks. This has a direct impact upon the respondents. In addition, this aspect limits the interpretations of the group bank means. This caused a difference in the sample size in this research. If sample sizes for each bank were closer, then the results would be more stable and smaller differences between the group means would be significant.

Thirdly, although the researcher made assurances regarding the anonymity/confidentiality of respondents, some of the respondents were still concerned and/or sceptical regarding these issues and the sharing of information. As a result, the researcher felt that in some cases, the respondents showed less willingness to disclose some information, which they perceived as being sensitive, and in some other cases the respondents worried about potential consequences should they respond to an item, as a result, limited their answers to the key issues and omitted details.

Fourthly, another difficulty was that it is typically associated with research which is dependent on data collected through a survey: there was no practical means for the researcher to ensure that respondents replied truthfully and sincerely when completing a survey. Furthermore, it is not possible to ensure that the essence of each question is always understood in the way the researcher intended. Given these restrictions, it is possible to conclude that in some cases respondents may have provided answers that did not represent their actual views, or which reflect a misunderstanding of the intention or content of a question. However, to overcome such difficulties, the researcher cross referenced the data across the various levels of investigation to reduce the degree of the discrepancies that may have occurred. In addition, such limitations can be better managed if similar case studies are investigated in the future.

This is of particular importance as the new regime has demonstrated its willingness to bring about massive changes in the service delivery of banking system through a series of financial liberalisation and possible banking privatisation. This issue as well as the fear of potential competition were particularly pronounced and echoed by most of the interviewees.

However, since the early 2011, due to severe clashes between opposing forces and tribes in Libya, the transitory government has not been able to proceed with its socio-economic reforms effectively. In particular, since the early 2011, due to intensified fighting in major cities in Libya and the removal of the elected prime minister, the country has experienced economic and political turmoil, further delaying the process of general economic reforms. In particular, the banking sector has been severely hit so that any future reforms seem to be far-fetched at the moment.

9.8.2 Directions for future research

Attempts to study service quality are important, but also challenging. This is due to the fact that there is no general definition about service quality. It is necessary that future efforts to measure perceptions of service quality in the research context should continue to advance the understanding of the concepts and the methods employed in this study, and provide fuller data to measure and improve service quality in Libyan banks. Specific recommendations as to the development of a model tailored to a particular sector and/or culture are given above, and in future research additions to the conceptualisation of

service quality, such as including expectations based on customer feedback from a preliminary focus group in its measurement may produce fruitful and useful results.

Some early 90s researchers such as Carman (1990) and Babakus and Boller (1992) highlighted the importance of service quality and how this can attract or deter customers. The researchers also put forward suggestions that are creditable for conducting additional research. This therefore envisages that further research can be undertaken to examine the customers' service in a broader perspective. In addition, the efforts of both staff and their managers are crucial to achieving such improvements and can also be investigated, as this would focus on service quality. The managements however in the organisational perspectives should encourage their staff, and on the other hand the staff should demonstrate service standards, which are already established.

Previous research findings suggest that the banking sector has concentrated on measuring service quality. Therefore, research about expectations and perceptions of employees and managers of the banks' services should be undertaken regarding the customers. This is also important, in that by replicating this research, respondents from international banking can be studied to see if there are any differences. It is important to say that Libyan banks extend services to international customers such as businesses, travellers, tourists, students and expatriates. This type of research can focus on the importation of services to Libya.

The literature indicates that there were some studies wherein comparative analysis was conducted into customers' expectations and perceptions of service quality from different perspectives, for example: customers' expectation evaluation and perceptions of service quality in the banking sector (Al Khatib and Gharaibeh, 1998; Jabnoun and Al-Tamimi, 2003). Kangis and Voukelatos, (1997), and Sharma and Mehta, (2005) researched the difference between the expectation of customers and their perceptions of the actual service quality they receive, and Athanassopoulos, (1997) researched evaluation based upon two groups as customers. Moreover, Petridou and Spathis et al., (2007) undertook similar research to this but added culture as a factor. In addition, Lewis (1991) added the nationality of the customer to this research, whilst Galloway and Blanchard (1996) included parameters along with differences in the stages of the customers' life. Apparently, it suggests that the above studies overlooked comparisons of the customer's expectations and perceptions of service quality. With so much information to

hand, future research could therefore examine the types of activity as a comparative factor that impacts on customer's perceptions and expectations of service quality.

Future research aimed at improving the Libyan service sector in general requires an extension of the size and scope of this research, which should be replicated not only within the banking industry. The other sectors such as travel agents, higher education, tourist services and health care, including the airline industry can equally be examined and researched to acquire a competitive advantage, bearing in mind the recommendations for research instrument design outlined above.

9.9 Conclusion

This concluding chapter has presented conclusions and recommendations on the main findings of the study and the limitations, in addition to suggestions for further research.

This study is aimed at examining the level of service quality provided by the Libyan banking sector. The conclusions on the main findings demonstrate differences of customers and bankers' viewpoints with regard to service quality provided by Libyan commercial public and private banks. The conclusions that could be drawn from the findings of this study can be summed up as follows:

Firstly, the literature reviewed in this thesis clearly suggests that banking service quality may be regarded as uppermost in terms of the successful performance of a bank. The banks with high levels of service quality can project the image of the bank as arguably acceptable. This attracts and retains the customers in the service organisations.

Secondly, the results of this research also indicate that Libyan banks, be they public or private, still face threats and challenges, and thereafter, there is a challenge ahead before adequate levels of service quality will be achieved. A number of constraints did emerge during this research, especially the UN sanctions, including trade embargos sanctioned by the West against Libya. This research also establishes this has had a negative impact on all sectors of the economy and most crucially on the banking system. Despite massive efforts by the banks, and the lifting of UN sanctions, the banks are still not able to demonstrate their capabilities. The results also indicate that Libyan banks are facing many more difficulties in the form of staff development, banking structure and regulations, and IT facilities and their utilities.

Thirdly, awareness of service quality by the public is at the initial stages within the Libyan banking sector. The customers' service importance of high-quality is a recent development in the conceptual understanding of managers responsible for the provision of banking services in Libya. This scenario has started to build slowly, and is still at a rudimentary stage. The both types of bank do not compete on services and products. However, it can also be concluded that the banks in Libya offer basic needs in the field of technology and others and try to please their customers.

Fourthly, if the Libyan banking sector is going to achieve levels of service quality and customer satisfaction that make them competitive against international standards, it is a pre-requisite that the Libyan banking sector should demonstrate its efforts differently, and be intellectually responsive. The Libyan banking system should introduce IT and train its staff to compete with the services.

The findings of this study suggest that further research aimed at the measurement and assessment of service quality in this sector is necessary, focusing on efforts to improve communication between the banks and their customers. In addition, the banks should provide training to the employees: in doing so, the banks can attain the levels of satisfaction in the dimensions of service quality most recognisable to their customers.

There were no similar respondents in both types of bank, and this is reflected in the list of respondents. Finally, the banks should demonstrate diversity in their working styles and most importantly, this can be developed throughout the entire service sector in particular.

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Appendixes

Appendix 1: Customer Questionnaire

Dear Bank Customer:

I am a PhD candidate currently conducting research in the area of service quality in Libyan commercial bank. The primary aim of my research is to examine and to evaluate the service quality provided by Libyan commercial, public and private, banks. All responses will be treated with the utmost confidence, the results of the survey will be used for research purposes only and no attempt will be made to identify an individual or organisation. I would very much appreciate your participation and help since the success of this research depends upon your response Please attempt to answer every question; there are no right or wrong answers. I am seeking your judgement or opinion only.

If there is any portion of the questionnaire that needs clarification or if you have any questions concerning the study please feel free to contact me at 092 5750508or moh2005lib@yahoo.com Thank you for your assistance in providing this valuable information.

I look forward to receiving your reply.

Sincerely yours,

Mohamed Elmadani

Business School

University of Huddersfield

HD1 3DH

Telephone: 00218925750508

E-mail: moh2005lib@yahoo.com

Section A: Customers' expectations of service.

Based on your experiences as a customer in your bank, please think about the quality of service. Please read the following statements related to your feelings or expectations about a bank you may deal with. For each statement, please show the extent to which you believe the bank you deal with has that feature by circling one of the following: (5) means that you strongly agree, (4) means you agree, (3) is neutral, (2) means you disagree, and (1) means you strongly disagree. There are no right or wrong answers—all we are interested in is the number that truly reflects your feelings regarding the quality of service.

Please circle the number that best reflects your answer.

1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. My bank should have up-to-date equipment such as computers and ATMs.	1	2	3	4	5
2. The physical facilities of a bank should be visually appealing.	1	2	3	4	5
3 Employees of my bank should be well dressed and appear neat.	1	2	3	4	5
4. Materials associated with the service (monthly account statement) in a bank should be visually appealing.	1	2	3	4	5
5. When my bank promises to do something by a certain time, it should do so.	1	2	3	4	5
6. When customers have a problem, my bank should show a sincere interest in solving it.	1	2	3	4	5
7. The services of my bank should be performed right the first time.	1	2	3	4	5
8. My bank should provide its services at the time they promise to do so.	1	2	3	4	5
9. The bank should insist on error-free records.	1	2	3	4	5
10. Customers should be told by the bank exactly when services will be provided.	1	2	3	4	5
11. Employees in a bank should give prompt service to customers.	1	2	3	4	5
12. A bank's employees should always be willing to help customers.	1	2	3	4	5
13. Employees in a bank should never be too busy to respond to customers' requests.	1	2	3	4	5
14. The behaviour of employees in banks should instil confidence in customers.	1	2	3	4	5
15. Customers of a bank should feel safe in all their transactions.	1	2	3	4	5
16. The bank's employees should consistently be courteous with customers.	1	2	3	4	5
17. Employees in a bank should have the knowledge to answer customers' questions.	1	2	3	4	5
18. A bank should give customers individual attention.	1	2	3	4	5
19. The operating hours of a bank should be convenient to all of its customers.	1	2	3	4	5
20. Employees of a bank should give their customers personal attention.	1	2	3	4	5
21. A bank should have its customers' best interests at heart.	1	2	3	4	5
22. Bank employees should understand the specific needs of their customers.	1	2	3	4	5

Section B: Customers' perceptions of service quality.

The following set of statements relates to your perceptions of the service delivered by your bank. For each statement, please show the extent to which you believe the bank has the feature described by the statement. Once again, circling a (5) means that you strongly agree, (4) means you agree, (3) is neutral, (2) means you disagree, and (1) means you strongly disagree. There are no right or wrong answers—all we are interested in is a number that best shows your perceptions about your bank.

Please circle the number that best reflects your answer.

1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. My bank has up-to-date equipment such as computers and ATMs.	1	2	3	4	5
2. The physical facilities of my bank are visually appealing.	1	2	3	4	5
3. Employees of my bank are neat in appear neat.	1	2	3	4	5
4. Materials associated with the service (monthly account statement) in my bank are visually appealing.	1	2	3	4	5
5. When my bank promises to do something by a certain time, it does so.	1	2	3	4	5
6. When I have a problem, my bank shows a sincere interest in solving it.	1	2	3	4	5
7. My bank performs the service right the first time.	1	2	3	4	5
8. My bank provides its services at the time it promises to do so.	1	2	3	4	5
9. My bank insists on error-free records.	1	2	3	4	5
10. Employees of my bank tell you exactly when services will be performed.	1	2	3	4	5
11. Employees in my bank give prompt service to you.	1	2	3	4	5
12. Employees of my bank are always willing to help you.	1	2	3	4	5
13. Employees in my bank are never too busy to respond to your requests.	1	2	3	4	5
14. The behaviour of employees in my bank instils confidence in you.	1	2	3	4	5
15. I feel safe in all my transactions at my bank.	1	2	3	4	5
16. Employees in my bank are consistently courteous with me.	1	2	3	4	5
17. Employees in my bank have the knowledge to answer my questions.	1	2	3	4	5
18. My bank gives me individual attention.	1	2	3	4	5
19. The operating hours of my bank are convenient to me.	1	2	3	4	5
20. Employees of my bank give me personal attention.	1	2	3	4	5
21. My bank has my best interests at heart.	1	2	3	4	5
22. My bank employees understand my specific needs.	1	2	3	4	5

Section c: Personal information

For the purpose of classification, I would like to ask you a number of questions related to yourself. You can be assured that all information you provide will be treated with the strictest confidence. Please tick () the appropriate box for each the following questions.

1. Gender (Tick box) Male female
2. Your Age (Tick box) 20 to 30 years old 31 to 40 years old
 41 to 50 years old 51 to 60 years old
 61 years old and older
3. What is the highest educational qualification you have: (Tick box)
- Intermediate Diploma and less Higher Diploma
 Bachelor degree Master degree
 PhD. Degree Other
4. How many years have you been a customer of your bank? (Tick box)
- 1 to 5 years 5 to 10 years
 11 to 15 years 16 to 20 years
 More than 20 years
5. Bank status (Tick box) Commercial Private Bank
 Commercial Public Bank

Is there anything else you would like to tell us about the quality of service provided by your bank? If so, please use this space for that purpose.

Thank you very much for your cooperation.

Appendix 2: Bank Employees Questionnaire

Dear Bank Employees:

I am a PhD candidate currently studying in the Business School of the University of Huddersfield, United Kingdom, conducting research into “*the study of service quality in Libyan commercial banks*”

The service sector is one of the most important sectors that has developed fast in the economies of both the developed world and developing countries. The banking sector represents one of the essential service sectors which is the largest sector among financial institutions which supply the needs of society. Thus, many researchers have showed that service quality improvement must be driven by customer expectations and perceptions of this quality. Moreover, expectations and perceptions of customers play a key role in customer evaluation of services and banks should identify customers' needs and expectations to ensure a high quality service

All responses will be treated with the utmost confidence, the results of the survey will be used for research purposes only and no attempt will be made to identify an individual or organisation. I would very much appreciate your participation and help since the success of this research depends upon your response Please attempt to answer every question; there are no right or wrong answers. I am seeking your judgement or opinion only.

If there is any portion of the questionnaire that needs clarification or if you have any questions concerning the study please feel free to contact me at 092 5750508 or moh2005lib@yahoo.com Thank you for your assistance in providing this valuable information.

I look forward to receiving your reply.

Sincerely yours,

Mohamed Elmadani

Business School

University of Huddersfield

HD1 3DH

Telephone: 00218925750508

E-mail: moh2005lib@yahoo.com

Section A: Bank employees' perceptions about customers' expectations.

To what extent do you agree or disagree with the following statements about your customers' expectations of the service you provide?

Please answer all of the questions according to the following directions. Please state a commercial bank's customers' views and beliefs to the best of your knowledge, and make every effort to eliminate from your replies all personal influences you may have from being an employee of the bank. We remind you that the questionnaire is anonymous and all information contained therein will remain strictly confidential. Moreover, this study is conducted independently and the bank's management has no involvement in its design and will have no access to its findings.

Please circle the number that best reflects your answer:

1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Your bank should have up-to-date equipment such as computers and ATMs.	1	2	3	4	5
2. The physical facilities of your bank should be visually appealing.	1	2	3	4	5
3. Employees of my bank should be well dressed and appear neat.	1	2	3	4	5
4. Materials associated with the service (monthly account statement) in a bank should be visually appealing.	1	2	3	4	5
5. When my bank promises to do something by a certain time, it should do so.	1	2	3	4	5
6. When customer has a problem, the bank should show a sincere interest in solving it.	1	2	3	4	5
7. My bank should perform the service correctly the first time.	1	2	3	4	5
8. My bank should provide its services at the time it promise to do so.	1	2	3	4	5
9. My bank should insist on error-free records.	1	2	3	4	5
10. The bank should tell customers exactly when services will be provided.	1	2	3	4	5
11. The bank should give prompt service to customer.	1	2	3	4	5
12. The bank should always be willing to help customers.	1	2	3	4	5
13. The bank should never be too busy to respond to customers' requests.	1	2	3	4	5
14. The bank employees' behaviour should instil confidence in customers.	1	2	3	4	5
15. Customers of the bank should feel safe in all their transactions.	1	2	3	4	5
16. Employees should consistently be courteous with customers.	1	2	3	4	5
17. Employees should have the knowledge to answer customers' questions.	1	2	3	4	5
18. The bank should give customers individual attention.	1	2	3	4	5
19. The operating hours of my bank should be convenient to all of their customers.	1	2	3	4	5
20. The bank should give their customers personal attention.	1	2	3	4	5
21. The bank should have its customers' best interests at heart.	1	2	3	4	5
22. The bank should have convenient operating hours of business.	1	2	3	4	5

Section B: Personal information

For purpose of classification, I would like to ask you a number of questions related to yourself. You can be assured that all information you provide will be treated with the strictest confidence. Please tick () the appropriate box for each the following questions.

1. Gender (Tick box) Male Female

2. Your Age (Tick box) 18 to 30 years old 31 to 40 years old
 41 to 50 years old 51 to 60 years old
 61 years old and older

3. What is the highest educational qualification you have: (Tick box)

Intermediate Diploma and less Higher Diploma
 Bachelor degree Master degree
 PhD. Degree Other

4. Duration of work with bank (Tick box)

1 to 5 years 6 to 10 years
 11 to 15 years 16 to 20 years
 More than 20 years

5. Bank status (Tick box) Commercial Private Bank

 Commercial Public Bank

Is there anything else you would like to tell us about the quality of service provided by your bank? If so, please use this space for that purpose.

Thank you very much for your cooperation.

Appendix 3: The semi-structured Interviews Questions

1. How long have you been working as the manager in this bank?
2. In your view what are the main facilities and services that a modern bank should offer to customers?
3. In improving your products and services, do you regularly get feedback from your customers and employees? If so, what methods do you use in collecting such information?
4. Do you think that your bank operates in a competitive environment?
5. What are your general views and thoughts about the banking sector in Libya?
6. What is the level of quality of service provided by your Bank?
7. Do your Banks provide the service that their customers expect?
8. Thinking about quality as a manager of this bank do you think your customers and employees are happy with the facilities in your bank (a facility includes computers, ATM, furniture, regularly monthly statements and so on)? Please give your answer in two parts first addressing your customers and second addressing your employees.
9. Thinking about quality again do you think as a manager your bank shows sincere interest in the problems that your customers or employees have? Please answer bearing in mind the customer and your employee separately. (Think of example of possible problems that customers or employees could have).
10. How quickly does your bank respond to customers' or employees' requests? Do you act promptly and show willingness to help? Do you have a specific time within which you must response to any query?
11. Is there any code of behaviour you expect from your employees in their treatment of customers? If so, tell me more, and if not why not? Generally do you think your customers are well treated? If yes, how do you and if not why not? Do you think

your employees have the necessary skills and understanding of dealing with customers?

Appendix 4: The Arabic Version of Customer Questionnaire

جودة الخدمات في قطاع المصارف الليبية

أخي الكريم/أختي الكريمة

السلام عليكم ورحمة الله تعالى وبركاته،،،،،

أنا طالب في جامعة هدرزفيلد البريطانية تخصص تسويق في مجال جودة الخدمات في المصارف الليبية. يهدف هذا البحث بشكل أساسي إلى فحص وتقييم جودة الخدمات المقدمة من المصارف التجارية الليبية العامة والخاصة.

سيتم التعامل مع جميع الردود بأقصى قدر من الثقة، سيتم استخدام نتائج المسح لأغراض البحث فقط، وسوف لن تكون هناك محاولة لتحديد هوية فرد أو منظمة.

وأود أن أقدر كثيرا مشاركتكم ومساعدتكم في إخراج هذا البحث، الذي يعتمد على ردودكم. يرجى المحاولة للإجابة على كل سؤال، لا توجد إجابات صحيحة أو خاطئة.

أخي (زبون المصرف) تهدف هذه الدراسة إلى قياس وتطوير جودة الخدمات في القطاع المصرفي الليبي من خلال التعرف على رأيك في مستوى الخدمة المقدمة من هذه المصارف وذلك من خلال مجموعتين من الأسئلة، تقيس المجموعة الأولى توقعاتك لما ينبغي أن تكون عليه الخدمة في المصرف. وتقيس المجموعة الثانية جودة الخدمة الفعلية المقدمة من المصرف الذي تتعامل معه.

إذا كان هناك أي جزء من الاستبيان يحتاج إلى توضيح أتصل على الرقم الاتي 0925750508 أو أرسل إيميل على moh2005lib@yahoo.com. شكرا" لمساعدتك في تقديم هذه المعلومات القيمة.

وشكرا

الباحث

محمد عمار المدني

جامعة هدرزفيلد بريطانيا

الجزء الأول: قياس الخدمة المتوقعة

بناء على تعاملك السابق والحالي مع المصرف، نرجو تحديد مستوى جودة الخدمة لذي مصرفك من خلال اختيار المستوى الذي يعكس بصدق توقعك لما ينبغي أن تكون عليه جودة الخدمة.

لاحظ أن المراد هو تحديد توقعك لجودة الخدمة التي ستحصل عليها عند تعاملك مع المصرف.

الرجاء وضع إشارة على الرقم الأكثر ملائمة

مستوي الأداء المتوقع					
غير موافق بشدة	غير موافق	محايد	موافق	موافق بشدة	العبارة
					1 المصرف يستخدم معدات حديثة مثل أجهزة الكمبيوتر وأجهزة الصراف الآلي
					2 المظهر العام لمرافق المصرف جذابة وملفتة
					3 موظفو المصرف يتميزون بحسن المظهر وأناقة الملابس
					4 المصرف يستخدم أفضل المواد أثناء تقديم خدماته (نوعية الأوراق والبطاقات البلاستيكية)
					5 المصرف يفي دائماً بوعوده تجاه زبائنه
					6 المصرف يظهر وبشكل واضح اهتمامه بحل مشاكل عملائه
					7 المصرف يقوم بتقديم الخدمة الصحيحة للزبون من أول مرة
					8 المصرف يقدم الخدمة في الوقت الذي وعد بها سابقاً
					9 المصرف يحرص على سجل خال من الأخطاء
					10 المصرف يخبر الزبون متى بالتحديد ستقدم له الخدمة
					11 موظفو المصرف يقدمون خدمات فورية وسريعة للزبائن
					12 موظفو المصرف يكونوا مستعدون دائماً لمساعدة زبائنهم
					13 موظفو المصرف لا ينشغلون أبداً عن الاستجابة لطلبات الزبائن
					14 سلوك موظفو المصرف يغرس الثقة في الزبائن
					15 الزبائن يشعرون بالأمان والثقة في تعاملاته مع المصرف
					16 موظفو المصرف دائماً يعاملون الزبائن بلباقة ولطف
					17 موظفو المصرف يملكون المعرفة والفهم الكافي للرد على استفسارات الزبائن
					18 المصرف يمنح زبائنه رعاية فردية خاصة
					19 ساعات الدوام لدى المصرف ملائمة لجميع زبائنه
					20 المصرف لديه موظفون يمنحون الزبائن رعاية شخصية خاصة
					21 المصرف يجعل مصلحة زبائنه في مقدمة اهتماماته
					22 موظفو المصرف يدركون احتياجات زبائنهم بشكل دقيق ومفصل

الجزء الثاني: قياس الخدمة الفعلية

هذه المجموعة من العبارات تحاول قياس مستوى الخدمات الفعلية التي يقدمها المصرف الذي تتعامل معه لذلك نرجو تحديد مستوى الخدمة الذي تحصل عليه فعلياً من المصرف الذي تتعامل معه.

الرجاء وضع إشارة على الرقم الأكثر ملائمة.

مستوى الأداء الفعلي						
غير موافق بشدة	غير موافق	محايد	موافق	موافق بشدة	العبارة	
					مصرفي يستخدم معدات حديثة مثل أجهزة الكمبيوتر وأجهزة الصراف الآلي	1
					المظهر العام لمراق مصرفي جذابة وملفتة	2
					موظفو مصرفي يتميزون بحسن المظهر وأناقة الملابس	3
					مصرفي يستخدم أفضل المواد أثناء تقديم خدماته مثال(نوعية الأوراق والبطاقات البلاستيكية)	4
					عندما يعدني مصرفي بشي يفي به دائماً	5
					عندما يكون لدي مشكلة, يظهر لي بوضوح اهتمام مصرفي في حلها	6
					مصرفي يقدم الخدمة الصحيحة للزبون من أول مرة	7
					مصرفي يقدم لي الخدمة في الوقت الذي وعدني به سابقاً	8
					مصرفي حريص على أن يكون سجله خالياً من الأخطاء	9
					موظفو مصرفي يخبرونني متى ستقدم لي الخدمة	10
					موظفو مصرفي يقدموا الخدمات فورية وسريعة	11
					موظفو مصرفي مستعدون دائماً لمساعدتي	12
					موظفو مصرفي لا ينشغلون أبداً عن الاستجابة لطلباتي	13
					سلوك موظفو مصرفي تغرس الثقة في	14
					أشعر بالأمان والثقة في تعاملاتي مع مصرفي	15
					موظفو مصرفي يعاملوني بسلوك مهذب	16
					موظفو مصرفي لديهم المعرفة الكافية للرد على استفساراتي	17
					مصرفي يمنحني رعاية فردية خاصة	18
					ساعات الدوام لدى مصرفي ملائمة لي	19
					مصرفي لديه موظفون يمنحون الزبائن رعاية شخصية خاصة	20
					مصرفي يجعل مصلحتي في مقدمة اهتمامه	21
					موظفو مصرفي يدركون احتياجاتي بشكل دقيق ومفصل	22

الجزء الثالث: البيانات الشخصية للزبون

1.الجنس: ذكر أنثى

2.العمر: من 20 إلى 30 سنة من 31 إلى 40 سنة

من 41 إلى 50 سنة من 51 إلى 60 سنة

من سنة 61 فأكثر

3. المستوى التعليمي دبلوم متوسط أو اقل دبلوم عالي

بكالوريوس ماجستير

دكتوراه

4. مدة التعامل مع المصرف: من 1 إلى 5 سنوات من 6 إلى 10 سنوات

من 11 إلى 15 سنوات من 16 إلى 20 سنوات

أكثر من 20 سنة

5. نوع المصرف :

(فرع.....) مصرف تجاري عام

(فرع.....) مصرف تجاري خاص

شكرا لحسن تعاونك

Appendix 5: The Arabic Version of Employee's` Questionnaire

استبيان لقياس جودة الخدمات في قطاع المصارف الليبية

أخي الكريم/أختي الكريمة

السلام عليكم ورحمة الله تعالى وبركاته،،،،،

أنا طالب في جامعة هدرزفيلد البريطانية تخصص تسويق في مجال جودة الخدمات في المصارف الليبية. يهدف هذا البحث بشكل أساسي إلى فحص وتقييم جودة الخدمات المقدمة من المصارف التجارية الليبية العامة والخاصة.

يعتبر قطاع الخدمات واحد من أهم القطاعات التي تطورت بسرعة في اقتصاديات الدول النامية والمتقدمة. وكما هو معروف أن القطاع المصرفي يمثل واحد من قطاعات الخدمات الأساسية والذي يمثل أكبر قطاع من بين المؤسسات المالية التي توفر احتياجات المجتمع.

وعلى هذا الأساس فإن العديد من الباحثين في مجال خدمات التسويق بينوا أن نجاح جودة الخدمات في القطاع المصرفي تعتبر عامل هام لنجاح هذا القطاع وتطوير جودة الخدمات فيه يجب أن يركز على توقعات وتصورات الزبائن لهذه الخدمة.

توقعات وتصورات الزبائن في مجال التسويق المصرفي أيضا تلعب دورا "هاما" في تقييم الزبائن لهذه الخدمات وينبغي على المصارف تحديد احتياجات وتوقعات الزبائن لضمان جودة خدمات عالية.

سيتم التعامل مع جميع الردود بأقصى قدر من الثقة، سيتم استخدام نتائج المسح لأغراض البحث فقط، وسوف لن تكون هناك محاولة لتحديد هوية فرد أو منظمة. وأود أن أقدر كثيرا مشاركتكم ومساعدتكم منذ نجاح هذا البحث الذي يعتمد على ردودكم. يرجى المحاولة للإجابة على كل سؤال، لا توجد إجابات صحيحة أو خاطئة.

أخي (موظف المصرف) تهدف هذه الدراسة إلى قياس وتطوير جودة الخدمات في القطاع المصرفي الليبي من خلال التعرف على مستوى الخدمة المقدمة من هذه المصارف وذلك من خلال مجموعة من الأسئلة تقيس تصورات موظفو المصرف حول توقعات الزبائن لخدمات المصرف.

وشكرا

الباحث

محمد عمار المدني

جامعة هدرزفيلد- بريطانيا

الجزء الأول: تصورات موظفو المصرف حول توقعات الزبائن لخدمات المصرف

الرجاء بيان إلى أي مدى توافق أو لا توافق على البنود المبينة أدناه فيما يتعلق بتوقعات الزبائن للخدمات المقدمة من مصرفك

الرجاء وضع إشارة على الرقم الأكثر ملائم

م	العبارة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
1	المصرف يستخدم معدات حديثة مثل أجهزة الكمبيوتر وأجهزة الصراف الآلي					
2	المظهر العام لمرافق المصرف ينبغي أن يكون جذاب وملفت					
3	موظفو المصرف ينبغي أن يتميزوا بحسن المظهر وأناقة الملابس					
4	المصرف ينبغي أن يستخدم أفضل المواد أثناء تقديم خدماته مثال(نوعية الأوراق والبطاقات البلاستيكية					
5	المصرف ينبغي أن يفي دائماً بوعوده للزبائن					
6	المصرف ينبغي أن يظهر وبشكل واضح اهتمامه بحل مشاكل عملائه					
7	المصرف ينبغي أن يقدم الخدمة الصحيحة للزبون من أول مرة					
8	المصرف ينبغي أن يقدم الخدمة في الوقت الذي وعد بها سابقاً					
9	المصرف ينبغي أن يحرص على سجل خال من الأخطاء					
10	المصرف ينبغي أن يخبر الزبون متى بالتحديد ستقدم له الخدمة					
11	موظفو المصرف ينبغي أن يقدموا خدمات فورية وسريعة للزبائن					
12	موظفو المصرف ينبغي أن يكونوا مستعدون دائماً لمساعدة زبائنهم					
13	موظفو المصرف ينبغي أن لا ينشغلون أبداً عن الاستجابة لطلبات الزبائن					
14	سلوك موظفو المصرف ينبغي أن يفرس الثقة في الزبائن					
15	الزبائن ينبغي أن يشعروا بالأمان والثقة في تعاملاتهم مع المصرف					
16	موظفو المصرف ينبغي أن يعاملون الزبائن بلباقة ولطف					
17	موظفو المصرف ينبغي أن يملكون المعرفة والفهم الكافي للرد على استفسارات الزبائن					
18	المصرف ينبغي أن يمنح زبائنه رعاية فردية خاصة					
19	ساعات الدوام لدى المصرف ينبغي أن تكون ملائمة لجميع زبائنه					
20	موظفو المصرف ينبغي أن يمنحوا رعاية شخصية للزبائن					
21	المصرف ينبغي أن يجعل مصلحة زبائنه في مقدمة اهتماماته					
22	موظفو المصرف ينبغي أن يدركون احتياجات زبائنهم بشكل دقيق ومفصل					

الجزء الثاني: البيانات الشخصية للموظف

1. الجنس: ذكر أنثى
2. العمر: من 20 إلى 30 سنة من 31 إلى 40 سنة
- من 41 إلى 50 سنة من 51 إلى 60 سنة
- من سنة 61 فأكثر

3. المستوي التعليمي: بلوم متوسط او اقل دبلوم عالي
- بكالوريوس ماجستير
- دكتوراه

4: سنوات العمل مع المصرف :

- من 1 إلى 5 سنوات من 6 إلى 10 سنوات
- من 11 إلى 15 سنوات من 16 إلى 20 سنوات
- أكثر من 20 سنة

5. نوع المصرف:

- مصرف تجاري عام (فرع)
- مصرف تجاري خاص (فرع)