UNIVERSITY OF KWAZULU – NATAL

Investigating service quality perceptions of MBA students: A case study on South African Retail Banks

BY

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DECLARATION

I Mbali Bhengu declare that

(i)   The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.

(ii)   This dissertation/thesis has not been submitted for any degree or examination at any other university.

(iii)   This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.

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Acknowledgements

Psalm 46: 5 – God is within her. She will not fall.

To my God Almighty for blessing me with the vision of completing my MBA and gracing me with his strength, mercy and relentless energy. I would like to thank God for guiding me and protecting me on this fruitful journey. To God be the Glory!

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To the individuals who once looked at me and thought I would never make it – Take a good look at me now.

Abstract

The purpose of the study was to gain insight into the perceptions and expectations of University of KwaZulu - Natal students, studying towards their MBA, on the service quality of South African retail banks. The retail banking sector is a sector that is highly concerned with a high face to face interaction and can be classified as a service industry that has been characterised with aggressive product and pricing differentiation. The need to conduct this research is highlighted by researchers such as Kostov, Arun and Annim (2014) as well as Durdana and Zizak (2015) who outline that the topic of service quality perceptions and expectations, according to the student market in retail banks, is a limited field of research. The literature review highlighted that the retail banking sector, being a sector that is strongly service orientated, would achieve a greater level of trust and confidence in their relationships with their clients' through an attainment of service excellence. In addition, the literature review placed a particular emphasis on the student market, specifically the Postgraduate market, which is considered to be a lucrative market in the retail banking industry. An investigation into their service quality perceptions and expectations of retail banks across South Africa would motivate retail banks to design suitable and attractive products for the student market which would increase competitive advantage build positive reputations as well as increase the financial returns of retail banks. The SERVQUAL as well as the Gaps model of service quality (both developed by Parasuraman, Zeithaml and Berry (1985), are the main theories in this study and the variables used pertain to retail banking. The researcher used a questionnaire which had a five – point LIKERT scale and the questionnaire was linked to quality dimensions relating to the retail banking industry as well as the SERVQUAL instrument. A simple random sampling technique was employed. The researcher identified the MBA students as the population, consisting of 400 registered students, and a total sample size of 165 students was identified and assessed. Sekaran and Bougie's (2010) sample table was used to arrive at this figure. The researcher used the statistical package for the Social Sciences (SPSS) version 13 for windows programme for the complete analysis and presentation of the data. Descriptive as well as inferential statistics were used to analyse the data and the data was presented in the form of tables, graphs and figures. The data results reveal the expectations and perceptions of the MBA students and the respective service quality gaps are outlined in the research. The research presents relevant recommendations to address these service quality gaps as well as offer short – medium term goals for the retail banking sector. The findings of the research revealed a statistically significant difference between the expectations and perceptions of the service quality gaps amongst MBA students. In an attempt to improve the service quality, retail banks need to focus on effective client retention and acquisition strategies that will attract the student market to continue banking and build fruitful relationships with their respective retail banks.

Key words: Service Quality, SERVQUAL model, retail banking, MBA students, expectations and perception

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CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Introduction and Background

Service quality in service industries has been an important driver for organisations that aspire to differentiate themselves in their respective industries and to gain a healthier market share. Organisations that display high levels of service quality have maintained an impressive competitive edge, increasing levels of client acquisition and have managed to retain their existing clientele. Service industries such as restaurants, universities, hospitals as well as banks have utilised and adapted a strategic service quality measurement instrument called the SERVQUAL model. The SERVQUAL model, produced by Parasuraman, Zeithaml &Berry (1985:44), is a service quality measurement tool presented in the form of a questionnaire that has 22 items/statements presented in five dimensions. The dimensions are, in no particular order, tangibility, responsiveness, empathy, assurance and reliability. Amidst several criticisms, the SERVQUAL model is the most widely used service quality measurement instrument within service organisations and has assisted in formulating new strategic direction, innovation and creativity in the workplace. The Financial industry is a prime example of a service industry that constantly seeks to revitalise business processes and procedures as well as promote product differentiation for clients. The utilisation of the SERVQUAL method in the financial industry is a strategic model of measurement for factors such as client service, innovation and creativity as well as potential acquisition and retention strategies.

1.1.1 Brief History: Banking Legislation and the mechanics of Service Quality

The following paragraphs will outline the emergence of the banking laws and regulations of the retail banking industry, the link between service quality and the regulations of the banking industry as well as the significance of service quality to clients. The following paragraph presents a brief background of the banking legislation.

Bernstein, Raputsoane and Schaling (2014:1) were of the opinion that the years 2008 – 2009 were labelled as the worst years of economic recession since the great depression era of the 1930s. During these tough times, financial institutions such as Lehman Brothers filed for bankruptcy and this caused a domino effect in the financial industry as banking

houses such as the Royal Bank of Scotland and Lloyds Banks were placed under administration. Thereafter, Banking policies such as the Basel Two and Three policy frameworks were introduced into the financial industry in an attempt to improve the quality and the quantity of capital as well as to enhance ratios pertaining to the liquidity and the leverage of the relevant banks (Bernstein et al. 2014:1). The introduction of the Basel Policy Three saw the emergence of conservative and rigid supervisory and regulatory frameworks in countries such as South Africa.

The Financial services industry is inundated with constant technological advancements, new product and pricing developments as well as new, updated and revised regulatory and legislative adherences (Coetzee, Van Zyl and Tait : 2013 : 2). The South African Banking sector is rated as number 2 out of 144 countries owing to factors such as sustainable capital, technological infrastructure as well as the regulatory frameworks implemented in the banking sector (Grobler, Warnich, Carrel, Elbert & Hatfield: 2011: 3). Legislation such as the Financial Advisory and Intermediary Services Act (FAIS) Act 37 of 2004 highlights the requirements for financial service providers with regard to the suspension of banking licences, the duties of key representatives, disclosures and debarments but to name a few. In addition, the Banking Code Act 94 of 1990 as well as the National Consumer Act 34 of 2005 are all legislative and supervisory frameworks that are part of South Africa‟s banking sector and are constantly changing and updating their provisions in the banking industry.

Amidst the relevant laws set in place, the South African banking sector still faces a few problems in its discourse. The introduction of the Banking Code Act 94 of 1990 saw an increase in the number of licensed banks in South Africa and further aggravated intense competition in an industry that had already become immensely saturated (Coetzee et al: 2013: 2). The saturation of the banking sector has introduced the aspect of service quality as well as relationship marketing in the retail banking industry. Populations such as the student market as well as low income earners are two distinct market segments that have not received the attention of the banking sector. New industry player, Capitec Bank, produced a simplistic business model to the industry by targeting a population that was referred to as an "unbanked population" which heightened the competitiveness within the financial industry (Kostov, Arun & Annim: 2014: 119). A strong focus towards low income earners as well as the consumer market emerged within the retail banking industry

and the banking sector has conveyed new strategies and products as the sector continues to attempt to attract clients and gain healthier market shares.

Service Quality forms part and parcel of the legislative and regulatory frameworks of the South African retail banking industry. Media platforms such as HelloPeter, Facebook, LinkedIn as well as Twitter have served as platforms for the reporting of a lack of service/good service quality amongst service providers. Client service expectations amongst clients in the service industry control the retention strategies of clients and also promote a positive word of mouth should they impact positively on the particular service organisation. The importance of customer relations in the banking sector cannot be emphasised enough.

The dynamics of client service and orientation as well as effective relationship building partnerships is an essential part of service quality. Retail Banks such as Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Standard Bank, Nedbank and Capitec Bank have all incorporated service quality dynamics into their metric boards to measure and assess their own service quality. Online questionnaires, self-administered questionnaires inside the retail branches and even call centres designed to handle service quality perceptions and expectations have all been implemented within the retail banks to constantly assess clients" perceptions and expectations of service quality. The implementation of such service tools can be seen as a pure indication of the fact that service quality is the vehicle for increased customer loyalty, increased profit and market share as well as a minimisation of reputational risk that can harm the image of the organisation.

The SERVQUAL model is a service performance measurement model that has been utilised extensively in service industries. Developed in the 1900s, the model has assisted organisations in business process re-engineering as well as the design of new products in the workplace. However, as outlined in Chapter Two, the model also has been a spat for heavy criticism in the world of literature. The limitations of the model have raised concerns over the reliability of the model. Fortunately, reliability and validity tests can be utilised to test the validity of certain dimensions as outlined in Chapter Three, which address the research methodology dynamics of the study.

1.2 Motivation for the study

The measurement of service quality within service industries is a potential indicator for product differentiation in the marketplace. Service industries such as Hospitals, Banks and Universities are a prime example of industries that produce critical services to the wider community. The measurement of service quality in organisations has become a significant indication of performance management in service industries and can be utilised as an effective competitive benchmark for organisations. In addition, the theme of customer service and loyalty within organisations is fast becoming a prime component of an organisation"s strategy and vision (Al – Jazzazi and Sultan: 2014: 691). Organisations have successfully incorporated technological amendments as well as shaped their products to accommodate their customer"s complaints in their industries.

The economic recession of 2008 had a powerful underlying theme of trust amongst the key financial players as well as third parties such as suppliers and customers (Hurley, Gong and Waqar : 2014 : 349). However, the past has subsided and the financial industry has managed to incorporate effective measures to meet their customer"s demands. A further look into the finance industry outlines that retail banks have capitalised on a young, group of working professionals as their prime target market. The young professionals as well as senior working professionals have become a central focus for the economic lifecycle of a retail bank. The market, aged between 25 – 40 years old has a substantial work experience, boasts lucrative opportunities for the finance industry due to the spending power attached to this market as well as the various financial industry banking products available to this market.

The South African banking industry has been a controversial subject within economists, suppliers as well as banking clients. The liquidation of African Bank Group Pty. Ltd. in 2014 allowed for a series of contentious issues surrounding the retail banking industry. Coetzee et al. (2013:2) outlines pertinent issues in the finance industry such as reckless lending as well as the structure of the National Credit Act 34 of 2005 aroused controversial debates in the media as well as the wider community. The Banks Act 94 of 1990 as well as the FAIS Act 37 of 2004 highlighted essential factors such as disclosures, conflict of interest as well as the licensing of Financial Service Providers. The research study aims to tackle the service quality perceptions of working professionals, namely MBA students, on their perceptions and expectations of selected South African Retail

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Banks. The topic at hand has been a limited area of research in literature. However, through gauging the insights of a market that hosts excellent spending power and boasts lucrative opportunities for retail banks, management can begin to provide effective and sustainable product differentiation strategies that will assist retail banks in increasing their turnover and sales revenue.

1.3 Focus of the study

The study will focus on the following themes:

The SERQVUAL model is a service quality model that has led service quality research since its inception (Parasuraman et al: 1985: 44). The service quality model is based on the principle that perceived service quality is viewed as "gaps" between customer expectations and perceptions (Strandberg, Wahlberg & Ohman: 2012: 361). Amidst the popularity of the service quality model, the SERVQUAL model has been subjected to a range of criticisms amongst researchers. Strandberg et al. (2012:361) alongside researchers such as Al - Hawari (2015:44) and Narteh (2013:156) have outlined criticisms from researchers, Cronin and Taylor (1992:64) as well as Brady and Cronin (2001:34) regarding the measurement dimensions of the SERVQUAL model. Strandberg et al. (2012: 361) highlighted that arguments presented by Cronin and Taylor (1992) are of the opinion that the measurement of perceptions and expectations is unnecessary and does not correspond as to how service quality should be measured. In addition, recent studies in service quality literature have tried to include more workings and theories in the models of perceived service quality. Strandberg et al. (2012: 361) have suggested a model that incorporates a multi – level of quality attributes that can be added to the SERVQUAL model. The reasoning behind this is to be able to measure service quality effectively.

The SERVQUAL model is a heavily criticized model that has produced a range of criticisms in the service literature. However, numerous service industries have continued to utilise the model and have successfully implemented effective strategies for their organisations. The literature review of this research paper will outline the various arguments surrounding the topic of the SERVQUAL model.

The element of trust in the financial industry is a crucial component for service quality. Hurley et al. (2014:348) outlines that economies tend to rely on factors such as social, organisational and institutional conditions that allow the market an exchange of trust. The

principle of trust, in the banking and financial industry became a concern during the 2008 global financial crisis when the exchange of money and the economy came to a standstill. Dahlstrom, Nygaard, Kimasheva & Ulvnes (2014:269) further highlights that the element of trust is particularly important in the banking industry because economic transactions involve risk and a lack of trust played a crucial role in the 2008 bank crises. The measurement of service quality in the financial industry has become a crucial factor in identifying functional, technical as well as service scape quality attributes that should be measured in the banking industry.

The perceptions of MBA students on the service quality of South African Retail Banks will be critically assessed in this research study in an attempt to provide effective recommendations and possible solutions to the retail banking arena. The focus will be on the service quality of MBA students in the South African retail banking sector. Bagley et al. (2013:6) identifies the term „traditional banks" as referring to the retail banks in South Africa. The traditional banks are identified as First National Bank (FNB), Standard Bank, Amalgamated Bank of South Africa (ABSA) and Nedbank. In addition, niche banks such as Capitec Bank and Investec as well as a host of other banks have emerged in the retail banking sector. In light of this study, the traditional banks as well other banks will be assessed for service quality. Product differentiation as well as effective and competitive pricing structures play a significant factor in the retail banking arena as retail banks continue to create new product offerings to the postgraduate market. According to Khani, Bodaghi, Noubar & Aali (2014: 402) the primary success of a bank lies in its inherent ability to know and understand the needs of its clients and be able to maintain a highly competitive advantage of a customer centric experience for the client who engages in a face – to – face interaction with the bank. In addition, engaging in effective relationships with clients provides a high level of service quality to the retail banking industry (Khani et. al: 2014: 402). Investigating the perceptions and expectations of a postgraduate market is a limited area of research and by understanding the current situation of the strict banking legislation and regulatory, it is crucial that the element of service quality is addressed in retail banks that have a high contact rate with both existing and potential clients. Chapter five addresses the findings of the expectations and perceptions of MBA students on service quality, serving as a crucial chapter in the research study as it outlines the different views and opinions of the target market at hand and allows for a full investigation into their views.

The financial industry in South Africa has boasted an impressive regulatory and financially sound rating index (Grobler, Warnich, Carrel, Norbet & Hatfield: 2011: 4). However, our retail banking system has produced controversy in the financial industry with the demise of Saambou and African Bank Holdings LTD. Dhurup, Surujlal & Redda (2014: 588) highlights that in South Africa, the service industry has replaced sectors, such as the manufacturing sector, and has emerged as the largest contributor to South Africa"s Gross Domestic Product (GDP). Regulators such as the Ombudsman, Financial Services Board as well as the South African Reserve Bank have outlined and imposed stricter regulatory fines and adherences to the law. Financial service providers have displayed a cunning need to adhere to the Banks Act 94 of 1990 as well as the FAIS Act 37 of 2004. The need to deliver on due diligence as well as service quality has become prime assets of the retail banking sector.

1.4 Problem Statement

The SERVQUAL model is a service quality measurement tool that has been widely utilised in organisations and has effectively assisted management teams to determine the expectations and perceptions of customers/clients regarding service quality. Service quality can be seen as an important competitive differentiator amongst organisations as each organisation actively seeks to implement new and innovative ways to gain clients and contribute towards their organisation"s growth on income. The banking industry is an industry that capitalises on client service, technological advancements as well as efficient business processes. The acquisition of clients in the banking industry has seen the emergence of new product disclosures and product fees catered for a new and emerging market, namely the young and senior working professionals.

The South African banking industry presents a bleak image of the spending behaviour of individuals aged between 18 – 35 years old. In addition, senior working professionals in South Africa are amongst the youngest population that are under debt counselling or have entered into a rescheduling agreement with registered financial providers. In the banking economic life cycle, capturing the working market aged 18 – 35 years old attracts a class of individuals who are earning between R25000 – R40000 per month, hold managerial positions in their workplace and have at least five product holdings at selected retail banks. E.g. overdraft facility, vehicle and asset finance, mortgage loan, investment account and a primary salaried account. The banking sustainability of this particular market as compared

to retired individuals or self - employed individuals hold a much greater weight owing to their spending power as well as their recurring income that is injected to their accounts, which serves as a „cash cushion" for the banking industry.

Durdana & Zizak (2015:4) highlight that product differentiation and innovation has become the leading indicators of competitive differentiation in the retail banking industry. The Postgraduate market, young professionals as well as senior professionals, have been introduced to an array of banking and financial products that are structured to suit their lifestyle and spending power. In the economic lifecycle of a bank, the young professionals are regarded as the lucrative market because of the banking offerings available to them. Researchers have provided limited research on the perceptions of Postgraduate students, especially MBA students, on the service quality of South African Retail Banks.

A brief history of the retail banking arena as well as the mechanics of service quality and its greater impact on Postgraduate students and the reputation of the bank are all factors that highlight the tone of this research study. Chapter Two, amongst other topics, highlights various criticisms of the SERVQUAL model, product differentiation amongst South African retail banks as well the different SERVQUAL models utilised in the service industry.

1.5 Research Objectives

The research study will focus particularly on the following objectives:

- ➢ Determine MBA student expectations about the service quality of South African Retail Banks.

- ➢ Assess the perceived quality of MBA students regarding service quality within South African Retail Banks.

- ➢ To determine the gaps between perceived performance and expectations for Postgraduate students (MBA students) as a crucial market for the South African Retail Banking sector.

➢ To recommend ways to improve quality of service and banking experience for Postgraduate students (MBA students) who are considered important customers in the economic life cycle of retail banks.

1.6 Important Research questions relating to the study

➢ What are the UKZN MBA students" perceived quality on the service quality dimensions of tangibility, responsiveness, empathy, assurance and reliability on South African retail banks?

➢ What are the UKZN MBA students" service quality expectations on the dimensions of tangibility, responsiveness, empathy, assurance and reliability on South African retail banks?

➢ What are the service quality gaps evident in the perceptions and the expectations of UKZN MBA students on South African retail banks?

➢ What are the biographical data variables of the UKZN MBA students that have an impact on the service quality of South African retail banks?

1.7 Hypotheses

The following hypotheses will be assessed in this study:

1.7.1 H1 – There is a statistically significant difference in the perceptions of service quality dimensions amongst the biographical data variables for UKZN MBA students towards retail banks.

1.7.2 H2 – There is a statistically significant difference in the expectations of service quality dimensions amongst the biographical data variables for UKZN MBA students towards retail banks.

1.7.3 H3 – There is a statistically significant difference in the gaps of service quality for MBA students on retail banking services.

1.8 Scope of the study

The study only focuses on the Postgraduate students who are studying towards their MBA in their 1st year – 3rd year of study. The study was only conducted at the University of KwaZulu - Natal, Graduate School of Business. The scope of the study did not include other postgraduate students in other universities or in other provinces.

1.9 Research Methodology of the study

The type of research design used for this study will be probability sampling, more specifically simple random sampling, since in this sampling technique every participant has a chance of being a subject in the study.

The target population used in this research will be primarily MBA students from first year to third year who are at the Graduate School of Business, University of KwaZulu - Natal (Part time and Block Programme students). The students are chosen due to the prime objective of the research topic, which is to assess their perceptions and expectations of service quality within retail banks in South Africa. According to Sekaran‟s statistic table (2010), the sample size should be 226 students as the total population is 449 registered MBA students at the University of KwaZulu - Natal, Graduate School of Business and Leadership (GSBL).

The data that was needed for this research was conducted via questionnaires and these questionnaires were in the format of a 5 point likert scale (1 being strongly disagree and 5 being strongly agree) with 22 items/statements presented to the respondent to choose from. The questionnaires were self - administered to the students during lecture time and students were given adequate time to proceed with the questionnaire.

1.10 Contribution of the study

This study has not only made a contribution towards the service quality of South African retail banks but more specifically towards the postgraduate student market. Due to the fact that there has been limited research conducted towards the service quality perceptions and expectations of MBA students on retail banks, the study presented here made a meaningful contribution towards the knowledge of research regarding student perceptions and expectations on retail banking. The study, being based at the University of KwaZulu - Natal Graduate School of Business, is conducted at a relevant time as the retail banking

industry is more aggressive and under constant product changes as well as revised regulatory changes.

The presented study is based in South Africa, which is valuable because there is limited research and literature presented on this study in Southern Africa. In addition, studies that pertain to the service quality perceptions and expectations of students", specifically postgraduate students, are limited in both European and African countries. Existing research focuses only on students, but not on MBA or postgraduate students". The researcher contributes to the research study by also providing short – medium term strategies that retail banks can implement in their branch networks through a holistic integration of departments such as Human Resources, Marketing and product development as well as the Management team. The recommendations presented in this study introduce a creative and exciting way to attract and retain the student population as well as to create a seamless banking experience for this particular student market. Furthermore, the recommendations can assist the management team of retail banks to assess service quality gaps in their everyday lives as well as encourage the retail banking staff to be more pro - active in their interactions with clients".

The researcher identified service quality gaps as well as certain biographical data variables that had an impact on the service quality of retail banks amongst the MBA UKZN students.

1.11 Limitations applicable to the study

The following limitations and expected problems apply to the research study:

The study focuses on only one university and only postgraduate students in KwaZulu-Natal which is a limitation in terms of the geographical areas that could have been covered and the diversity of MBA students from other institutions that could have participated in the survey. The reasoning behind this is purely convenience, as the researcher is based in KwaZulu - Natal, as well as budget and time constraints.

The MBA programme is structured into two programmes, namely part time and block release. The researcher had to manually administer the questionnaires to the students before the start of their lectures. The questionnaires were administered close to exam time and the students were difficult to get hold of. As a result, the researcher had to re visit

lecture venues before and after the lectures to try and gain as many participants as possible to participate in the questionnaire.

1.8 Structure of the study

Chapter Two: Literature Review

Chapter two presents a detailed insight into the literature surrounding service quality gaps as well as the SERVQUAL model. A definition as well as a summary of the SERVQUAL model is presented in a diagrammatic format illustrating the common service quality gaps. The various models of service quality, objectives as well as the dimensions of the SERVQUAL model are presented in the chapter. The chapter outlines the customer expectations and perceptions of service quality as well as the significance of the relationship between service quality and customer expectations. Opinions from researchers regarding service quality, criticisms of the SERVQUAL model as well as the history of banking legislation as well as relationship marketing in South Africa pertaining to postgraduate students is presented and contrasted with differing opinions and views. Lastly, the literature outlines an overview of service quality in the banking and financial services as well as the industry and economic trends as well as the need for service quality measurement in South African retail banks.

Chapter Three: Research Methodology

Chapter three presents a cross examination and analysis of the sampling design, target population, reliability and validity measures that need to be measured in an attempt to analyse the data and present quality findings from the evaluations. The chapter presents the target population as well as the sample size identified. Information such as the research method, questionnaire design as well as the reliability and validity of the data collection is mentioned. Lastly, the ethical concerns as well as the limitations are outlined.

Chapter Four: Data presentation and analysis

Chapter four presents the data in the form of descriptive statistics as well as inferential statistics. Cronbach alpha was the statistical model used to test the reliability of the data. The descriptive statistics allowed the researcher to assess the standard deviation of the students" expectations as well as the perceptions. The non - parametric tests utilised were the Kruskal – Wallis test, Mann Whitney test as well as the Spearman Rho Correlation

test. These tests were able to test the hypotheses as well as determine if there was a statistically significant difference between expectations and perceptions.

Chapter Five: Recommendations and Conclusion

Chapter five presents the major findings of the empirical study as well as the recommendations to the identified service quality gaps. The chapter provides a discussion as to whether the data answered the research objectives and expands to the relevant stakeholders who will benefit from the study. Short to medium terms recommendations are provided concerning the service quality gaps identified as well as possible strategies the branch can implement to attain service quality excellence. In addition, orientation towards future research is directed and a summary of the study is presented.

1.9 Research Methodology of the study

The type of research design used for this study will be probability sampling, more specifically simple random sampling because every participant stands a fair chance of being selected as a subject in the study.

The target population used in this research will be primarily MBA students from 1st year to 3rd year who are at the Graduate School of Business, University of KwaZulu - Natal (Part time and Block Programme students). The students are chosen due to the prime objective of the research topic, which is to assess their perceptions and expectations of service quality within retail banks in South Africa. According to Sekaran"s statistic table (2010), the sample size should be 226 students as the total population is 449 registered MBA students at the University of KwaZulu - Natal, Graduate School of Business.

The data that will be needed for this research will be conducted via questionnaires and these questionnaires will be in the format of a 5 point likert scale (1 being strongly disagree and 5 being strongly agree) with 22 items/statements presented to the respondent to choose from. The questionnaires will be self - administered to the students during lecture time and will be given adequate time to proceed with the questionnaire.

1.10   Summary

Chapter one provided an introduction as well as a summary of the research study. Research objectives as well as key research questions were outlined and assessed in this study. In addition, insights into the contribution of the researcher as well as statistical

instruments that will be used are laid out in this study. The following chapter will highlight the literature surrounding service quality.

CHAPTER TWO

The foundation of Service Quality: An overview of the principles of the SERVQUAL model, service quality and relationship banking

2. Introduction

Service quality in organisations has formed as a critical competitive differentiator within the service industry as organisations battle in the war field to produce excellent products, retain and acquire clients and produce healthy sales revenues. The value attached to quality service and customer satisfaction is a global concern and a key positioning for organisations to compete in the national and international playground of service offering (Al - Hawari: 2015:4). Chapter Two will produce a holistic over view of service quality, customer loyalty and student relationship banking.

2.2 Defining service quality

2.2.1 The meaning of service and quality

The words „service" and „quality" have expressed different definitions and interpretations in literature. Coetzee et al. (2013: 4) highlights that in as much as the word service could include tangible elements, the service performance itself is considered intangible. Otaibi (2014: 89) highlights that service can be considered as a subjective term as it purely relates to the way a customer feels about his or her personal expectations of service experiences. Dhurup et al. (2014:588) interpreted the word „quality" as being internal as well as external in its meaning. Internal quality concerns the conformance and submission to design standards whereas external quality is that which is perceived by customers. Furthermore, the word „quality" is known to have dissimilar meanings to different people and providing a definition of quality in the services sector has proven to be difficult. Customers are not always able to observe or see the service being performed, turning the principle of quality into a subjective process.

The above definitions serve as a simple guideline to the complexity of the words „service" as well as „quality" and are an indication of the different meanings embedded in the concept of service quality.

2.3 Service Quality

The term "service quality" was recognised as the difference between the customers' expectations of a service that is to be received and the perceptions of the service that is yet to be actually received (Parasuraman et al. 1988:17). Perception, in this case, is interpreted as the customer/client's „experienced service" and expectations are viewed as the desire/want of the consumer about the service (Khan, Tabassum & Kursia 2014: 4). Jones and Shandiz (2015:5) outlined that technical as well as functional quality are the two prime categories of service quality. Technical quality was reliant on the outcome of the service process and what the consumer received, whereas functional quality was focused on the service process of the service provider and was concerned on the manner in which the service was delivered to the customer. The concept of service quality has evolved over the years and this is highlighted by researchers such as Narteh (2013:163) and Yarimoglu (2014:81) who have defined service quality as three dimensional qualities, namely: 1) physical quality 2) interactive quality as well as 3) corporate quality. The tangibility of service quality would be known as the physical and interactive quality emerging from the form of service interaction between the customer and the service provider whereas corporate quality purely relates to the appearance of the service provider (Khan et al.: 2014: 6).

Dhurup et al. (2014: 588) outlines that service quality is a subjective term as well as an abstract concept as it relates to the way a customer feels about their expectations of service experiences. However, Bhattarchajee (2006:5) is of the opinion that service quality is what is perceived by the customers and should be measured from the customer's perspective. Al - Hawari (2015: 43) is of the opinion that service quality is linked to a customers" set of beliefs and attitudes regarding service excellence. The word „quality" can be explained from a variety of viewpoints/definitions.

The table below highlights the different types of viewpoints, approaches and definitions of service quality:

Table 2.1: The different approaches of Service quality

Transcendent view: Philosophy approach	Manufacturing based approach	User based approach: Pertains to marketing & economics	Value based approach: Pertains to operations management

Source: Yarimoglu (2014: 79)

The table above illustrates that the word „quality has a variety of definitions and viewpoints and the differing views of quality can cause conflict between management in an organisation. The multidimensional, intangible form of some services can make it problematic to evaluate and assess the quality of service in an organisation (Yarimoglu: 2014: 79).

Service quality therefore, is believed that it should be interpreted from the customer‟s perspective as the customer is the only person who can outline whether the service has either met or exceeded their expectations.

The measurement of the expected and perceived gaps in service quality organisations will reveal a good indication of the service quality gaps in an organisation and reveal the relevant actions management can take to rectify the levels of service quality in their organisations. The stages of customers‟ perceptions and expectations on service quality are essential in understanding how customers‟ perceive the performed service and what their expectations are. An organisation with no sound understanding of their customer‟s expectations and perceptions will not attain their desired level of service quality.

2.4 Models of service quality

The service quality measurement models in literature differ across industries and in measuring service quality, several scholars attempted to develop different models (Al - Hawari: 2015: 6) and (Johra, Mohammed & Razzaque.: 2015: 10). Khan et al. (2014:115) and Strandberg et al. (2012:360) have outlined that service quality models differed across service industries but the SERVQUAL model has proven to be the most popular model for service quality.

Coetzee et al. (2013: 7-8) highlighted that the emergence of service quality can be traced to Parasuraman et al. (1985:42) who recognized an inherent difficulty in measuring service quality because of service being a rather abstract and intangible construct that proves to be more difficult to assess than goods. Parasuraman et al. (1988:13) produced an improved foundation for identifying dimensions of service quality and gaps model of service quality, with a statistical model called the SERVQUAL MODEL. Yarimoglu (2014:89) explains the SERVQUAL model by recognising that the research scholar, Parasuraman et al. (1985:44), analysed the service quality dimensions and presented a gap model that has a clear foundation and framework for the measurement of service quality. The table below outlines the SERVQUAL model categorised into 5 dimensions namely:

Table 2.2 The five dimensions of service quality

1. Reliability
2. Responsiveness
3. Empathy
4. Assurance
5. Tangibles

Source: Yarimoglu (2014:89)

Al – Hawari (2015:44) highlighted that the SERVQUAL model has five dimensions that can be measured to identify potential gaps within an industry or environment. Once potential gaps have been identified, they can be rectified through providing short, medium and long term recommendations that are practical and convenient for consumers or clients.

The SERVQUAL model has produced many criticisms regarding its use in service quality but is labelled as the most used and most popular model in the service industry (Yarimoglu: 2014: 86). Amongst the SERVQUAL model, researchers developed numerous service quality models that were utilised in the service industry, namely:

➢ SERVPERF Model: The SERVPERF model is developed by *Cronin and Taylor* (1994) and utilised the same 5 dimensions as the SERVQUAL model, but the major focus for this model was the actual service performance and not on customer's expectations as illustrated by the SERVQUAL model (Al-Hawari : 2015:44).

- BANKSERV Model: Al - Jazzazi and Sultan (2014:690) outlines that the BANKSERV model adapted by the research scholar Avkiran (1994:10-18) also followed the principles of SERVQUAL and consisted of 17 items and 4 dimensions. These dimensions included staff conduct, credibility, communication and customer accessibility.

- SYSTRA – SQ Model: Al – Jazzazi and Sultan (2014:690) outline that Aldlaigan and Buttle (2002:362-381) introduced the SYSTRA – SQ measure, which comprised of 4 dimensions of service quality namely system quality, behaviour quality, machine quality and service transacting. Al – Jazzazi and Sultan (2014:690) explains the different dimensions according to the SERVQUAL model namely:

  - System Quality – refers to the recognition of service organisations as systems and also has elements of availability, accessibility and organisational appearance.

  - Behavioural Quality – refers to the nature of the employee's service performance.

  - Machine Quality – refers to the reliability as well as the work performance of machines with organisations.

  - Service transactional currency – is concerned with the customer' perceptions of accuracy in service and employee output.

- BANQUAL – R Measure: Al- Jazzazi and Sultan (2014:690) outline that Tsoukates and Matrojianni (2010:85-100) developed a 27 item index for the retail banking sector of Greece that combines SERVQUAL and Bank Service Quality (BSQ). The measure consists of 5 dimensions namely empathy, assurance, effectiveness, reliability and confidence.

The models for service quality are quite comprehensive and detailed and there are numerous other service quality models not mentioned in the scope of this study. The SERVQUAL model is the most popular in service industries and has been used extensively to measure customer expectations as well as customer perceptions.

A critical component of the SERVQUAL model are the set of five dimensions that are assessed to determine which aspects of the service organisation are most/least valued by customers. The following paragraph outlines, in detail, the definitions and significance of the SERVQUAL model dimensions in service organisations.

2.5 The SERVQUAL model: A brief description

The SERVQUAL model was formally introduced as the „gaps model" by Parasuraman et al. (1985:46). The model is an instrument that is used by service industries to measure as well as to evaluate the satisfaction of customers" in the services sector and includes a pre – customer expectation and compares this expectation with a post service perception to summarise the customers" satisfaction. Al – Hawari (2015:44) identifies that the following gaps must be minimized in order to satisfy customers in an organisation:

1) The customer gap

2) The provider gap – consists of four provider gaps known to be the main cause of the customer gap. These four gaps are as follows:

Customer expectation – management perception gap

Management perception – service quality expectation gap

Service quality specifications – service delivery gap

Service delivery – external communications to customer gap

Al - Hawari (2015:44) further outlines that there are also two additional gaps in the gaps model of service quality namely:

> The perceptions gap

> The service quality gap

Figure 1: Model of Service Quality gaps

The diagram presented below is the SERVQUAL model diagram which illustrates five service quality gaps (as explained above).

Word of mouth	Personal needs	Past experience
Consumer marketer	Expected Service	
GAP 5	Perceived service	
GAP 1 / GAP 3	Service delivery / GAP 4	External communication
GAP 2	Perceptions of service quality specifications	to consumers
	Management perceptions of consumer's expectations	
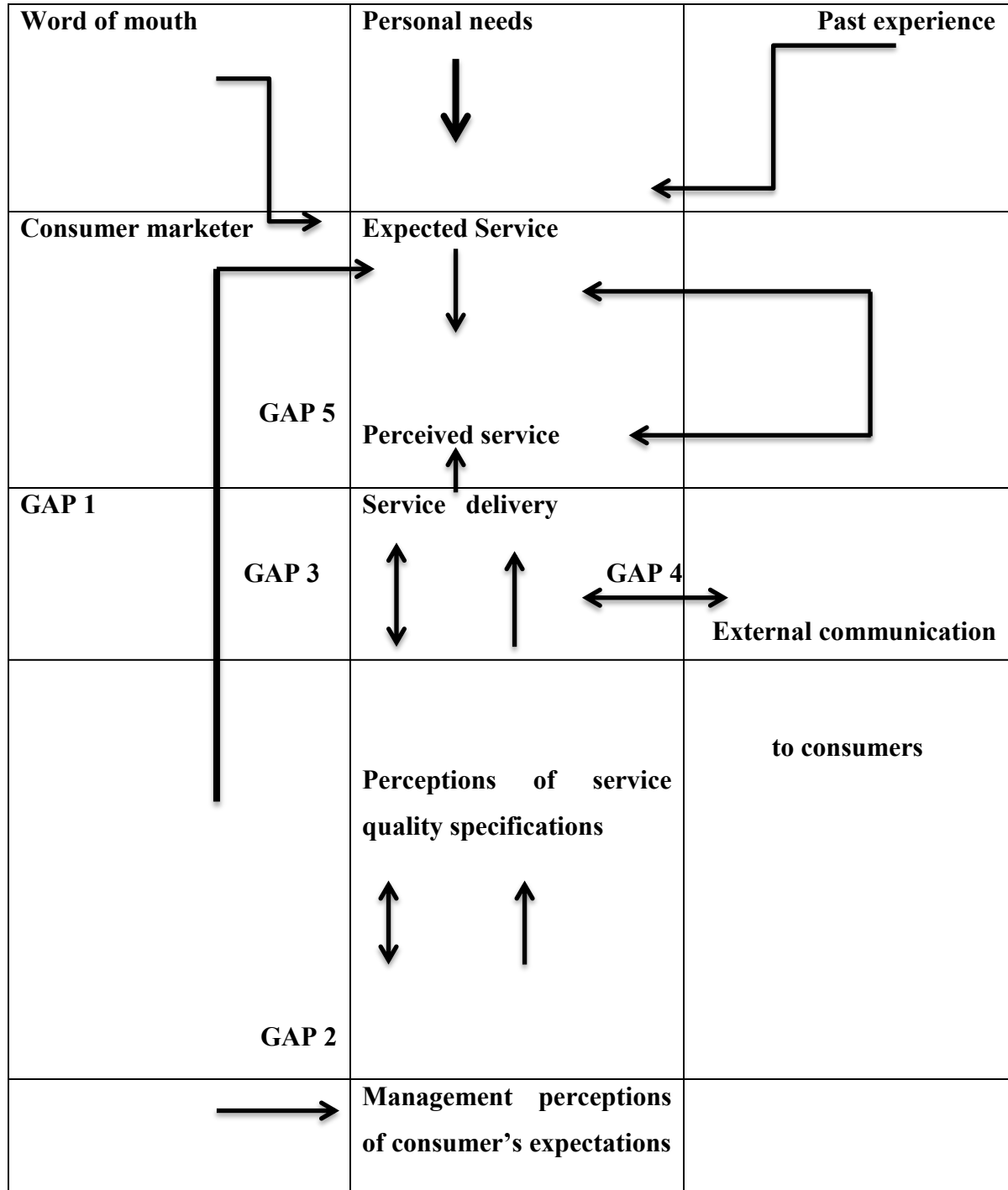
Source: Parasuraman, Zeithaml and Berry (1985:44)

The above SERVQUAL model identifies the five gaps that were formulated by Parasuraman et al. (1985:44-46). Khan et al. (2014:113) explains that the diagram presented above conveys five gaps that are as follows:

Gap 1: is concerned with the gap between the expectations of customers" and the perceptions of management"s perceptions.

Gap 2: is concerned with the gap between the perception of management as well as the customers" expectations and service quality specifications.

Gap 3: is concerned with the gap between service quality stipulations and the actual service delivered to the customer.

Gap 4: is concerned with the gap between the actual delivery of service and what is communicated to customers regarding service.

Gap 5: is concerned with the gap between a customer"s expected service and the actual perceived gap.

In addition, Yarimoglu (2014:82) presents a different analysis of the gap findings from the SERVQUAL model presented above. The following gaps are identified by the scholar:

1) The customer gap – The customer gap is concerned about the gap between customers" expectations as well as customers" perceptions that are identified through the eyes of the customer. A customer"s expectations could be derived from external stimulus (past experiences, word of mouth, personal needs etc.). The customer gap highlights the difference between the actual performance and the customer"s perception of the service.

2) The provider gap –The provider gap is also known as the company gap. Ideally there are four provider gaps which are the main cause of the customer gap. These four gaps are as follows:

Customer expectation – management perception gap: This gap is also known as the knowledge gap.

Management perception – service quality expectation gap: This gap is also known as the policy gap.

Service quality specifications – service delivery gap: This gap is also known as the delivery gap.

Service delivery – external communications to customer: This gap is also known as the communications gap.

Al – Hawari (2015:44) included two additional gaps in the gaps model of service quality namely:

3) The perceptions gap – is concerned about the quality of service this is delivered to the customer and what the customer actually perceives in terms of the quality received.

4) The service quality gap – is concerned about what the customer assumes to receive regarding the service quality and their actual perceptions of the actual service delivered/received.

The objectives of the SERVQUAL model provide a strategic link to the identified service quality gaps and the following paragraph will allow for a more detailed analysis of the importance and the value of the SERVQUAL model.

2.6 Objectives of the SERVQUAL model

Parasuraman et al. (1988:15 - 17) outlines the principal of the SERVQUAL model as follows:

- ➢ To identify the dimensions where expectations are exceeded by perceptions
- ➢ The analysis and investigation of service quality
- ➢ Compare service quality between competitors
- ➢ Analyse the different dimensions and the importance of the customers
- ➢ Analyse the different dimensions as perceived by the different customer groups

These objectives allow for a full investigation on service dimensions and the ability for organisations operating in the service industry to improve and differentiate themselves from competing organisations. Through a measurement of the service quality model, organisations will be able to produce new and unique product offerings for new and existing markets that will assist the organisation in client acquisition and retention strategies.

The service quality gap model has transformed over the past decade as researchers acknowledge the need to diversify the gaps model to include significant gaps in order to fully understand the perceptions and expectations of customers. Durdana and Zizak (2015:6) are of the opinion that the expectations of customers" are the main service differentiators that should be achieved in order to reach service excellence. Yarimoglu (2014:83) further asserts that the gaps model allows for clients/consumers to assess their perceptions of the actual service performance in relation to what they expected and this can be done by determining the high/low service judgement levels drafted by the customer. The SERVQUAL model can be viewed as a strategic tool that can leverage the quality of service amongst employees in an organisation who serve customers/clients on a daily basis. Once the objectives of the service quality measurement have been attained, the organisation can strive to correct the dimensions that were not favourable or implement correct procedures to attain desired results.

Excellent service quality as well as good customer satisfaction are two significant factors that promote healthy relationships between service organisations and customers and maintain a client – centric vision and approach at all times. The dimensions of the SERVQUAL model will highlight the critical components of the SERVQUAL model.

2.7 Dimensions of SERVQUAL Model

The models of service quality have evolved over the years as scholars have identified more models to measure service quality in the service industry. Khan et al. (2014:2) assert that increasing competition in economic markets has allowed organisations to re look at service quality as a strategic tool to attain competitive advantage in their respective industries. Service quality has been highlighted to influence retention, commitment, life time value as well as satisfaction. Research Scholars outlined that the SERVQUAL dimensions are further outlined as follows:

➢ Reliability – Reliability is considered as the most important dimension of perceptions of standard quality among United States customers" and reliability relates to the company delivering on its promises (Jones & Shandiz: 2015: 52). Coetzee et al. (2013:10) emphasises that the reliability dimension refers to the ability of a bank to deliver all services as promised in a dependable and accurate manner.

- Responsiveness – Responsiveness is believed to be the highest rated SERVQUAL dimension in ranking. Responsiveness is recepted by customers" through the willingness of the organisation to be efficient and provide their services in a quick manner (Khan et al.: 2014:113).

- Assurance – Assurance is believed to be important for service industries, such as banks, that are associated with a higher risk (Durdana and Zizak: 2015: 12-13).

- Empathy – Empathy is defined through the personalisation of services, whereby customers are made to feel unique and special because their service needs are understood and met (Coetzee et al.: 2013: 10).

- Tangibles – are viewed as the corporate image of service that customers use to evaluate and understand quality. Tangibility is used by service industries to enhance and promote their image as well as highlight their quality to customers (Mokhlis, Rosufila, Hasan & Yaakop.: 2014: 362).

The above dimensions form part of the SERVQUAL model and are a common characteristic of the SERVQUAL tool and are crucial determinants of measuring the service quality in a service orientated organisations.

Khan et al. (2014:113) asserts that the SERVQUAL model can be calculated using the following formula:

$$SQ = \text{perceptions} - \text{expectations}$$

As mentioned, the SERVQUAL questionnaire is presented in the form of a 5 point likert scaled questionnaire with 22 items all presented under the stipulated dimensions.

The SERVQUAL model is a model that has been subject to numerous criticisms and the following paragraph will outline the arguments surrounding the criticisms of the SERVQUAL model.

2.8 Criticisms of the SERVQUAL Model

The SERVQUAL model has been labelled as the most popular instrument of measuring service quality yet has also come under tight scrutiny and criticism from scholars.

Durdana and Zizak (2015:3) asserts that the financial industry has two primary characteristics namely 1) Fiduciary responsibility as well as a 2) two way information flow. These specific traits imply that services are more difficult to evaluate than material products and they pose a challenge in developing marketing activities but are also a potential problem when it comes to providing a specific desired level of service.

Al – Hawari (2015:44) argues that the SERVQUAL model has been criticised and the focus of these criticisms is that the model uses expectations and perceptions as a „gap‟. Furthermore, the SERVQUAL scale requires two administrations (expectations and actual perceptions) and this leads to boredom and confusion for customers. In addition, the 5 dimension structure has been labelled as not universal as its usability across different contexts has raised plenty of concern. Okoe, Adjei & Osarenkhoe (2013:85) highlighted that the SERVQUAL model has also been frowned upon for not incorporating the customers‟ influence of corporate image and reputation.

The SERVQUAL model has been a keen spot for criticism amongst researchers but the model is still widely utilised in service industries and is still viewed as a popular model for the measurement of service quality (Okoe et al. : 2013: 84) and Narteh (2013:156).

Financial institutions are a prime example of a service industry that is characterised by an influx of new clients as well as aggressive product development strategies. An overview of the quality of service in the banking and financial services will outline the changing dynamics of the industry and the relevance of the application of the SERVQUAL model to this industry.

2.9 Customer expectations and perceptions of service quality

Organisations that strive on attaining a competitive edge are fixated with providing excellent service quality in their daily business processes. Organisations are aware of their client‟s expectations of customer service and how to identify and meet these expectations, yet it is still a daunting and onerous task to do so (Kayeser, Mohammed & Razzaque: 2014: 588). The utilisation of service quality models to measure the gaps identified in a

service industry/organisation are crucial to outline the areas of improvement within a bank, hospital or even a police station.

Jones and Shandiz (2015: 5) emphasises that service quality is a comparison between the expected and perceived service in a service industry. The term „expectation" is perceived differently in the service quality literature. The word expectation in the service quality literature is based on what consumers" desire and in the customer satisfaction literature, the word expectation is viewed as a mere guess made by consumers as to what they feel they can expect during a service transaction.

The meanings of expectations and perceptions in a service quality context have produced, and are still producing, a variety of meanings and definitions. However, a thorough analysis of the objectives and dimensions of the SERVQUAL model will outline the significance and the benefits of the SERVQUAL model within service organisations.

2.10 The relationship between service quality and customer satisfaction in retail banking

Kumar and Mishra (2015:31) are of the opinion that customer satisfaction is a combination of insight, assessment and emotional reactions to a product or a service. Al - Jazzazi and Sultan (2014: 691) has indicated that the satisfaction of the customer is a strong indication of a bank"s success and that fast service, availability of self-banking services and the degree to which bank staff is helpful and courteous are strong predictor"s of banking customer"s satisfaction. In addition, Coetzee et al. (2013:10) asserts that the development of customer loyalty in service industries has become significant in the services marketing literature due to the benefits associated with retaining customers. Customer loyalty has become more important in financial sectors especially after deregulations have given customers more flexibility to choose their financial services. Customer satisfaction is highly connected to the element of trust. Danistrom et al. (2014:269) and Hurley et al. (2014:353) both argue that trust is essential for economic growth and sustainability in the world and more especially in the banking industry since economic transactions involve a high element of risk. Furthermore, trust is critical in the financial services because the financial service industry is highly intangible.

The relationship between customer satisfaction and service quality in the financial services sector is a crucial determinant of the success of the banking industry. Bonin, Iftekhar &

Paul (2014:15) highlights that the banking industry in the mid-2000s was saturated by foreign citizens who were able to provide a wide range of services and with the increased transactions occurring in the banking industry, fierce competition arose amongst banks. Aggressive competitors and knowledgeable customers meant heavier transactions occurred in the banking space and the importance of service quality emerged in this competitive industry. Al - Jazzazi & Sultan (2014:689) mention that the periods of 2004 - 2008, resulted in aggressive competition for the banking and finance industry and under this competitive environment, management had to place customer service as the central focus of retail banking business. Otaibi (2014:86) asserts that service quality in the banking industry has seen the issues related to the measurement of service quality been widely investigated in the research field.

Service quality and customer satisfaction have been two major focal points for researchers in the banking industry. Al – Jazzazi and Sultan (2014:691) identified numerous studies in the banking industry that attempted to measure customer loyalty and service quality worldwide in retail banks. The following factors were identified:

1) A study conducted in the United Arab Emirates for commercial banks revealed that human skills dimension was a strong predictor of Service Quality perceptions than empathy and tangibles dimensions of the SERVQUAL model.

2) Islamic banks in Iran highlighted that empathy and communication were perceived to be the most important factors of customer satisfaction.

3) Retail banks in Qatar outlined that the customer perceptions of service quality were mostly affected by the tangibles dimension.

4) The Jordanian commercial banks showed a positive correlation between a bank"s internal marketing and service quality.

The SERVQUAL model highlights different perceptions and expectations from service industries and the measurement of service quality in the service industry has seen a strong correlation in customer loyalty and once the SERVQUAL model has been implemented in

the various organisations, corrective action can be implemented to increase customer loyalty.

2.11 Banking and Financial Services: Overview of Service Quality

The banking and financial services sector is characterized by intense rivalry amongst banking groups as well as constant product differentiation and advanced technological adaptations.

Narteh & Kuada (2014:353) outlines that due to factors such as government deregulation, technological advancements as well as an increasing demand for sophistication by customers has witnessed the banking industry changing at an ever rapid pace. The change in the banking and financial landscape in the industry has introduced an important element of service quality and trust, which is important in the banking industry as trust is significant for economic development in the international banking industry (Danistrom et al.: 2014: 269). In addition, placing trust in the bank system is crucial as a lack of trust played a major theme in the 2008 bank crises (Danistrom et al.: 2014: 269). Research surrounding Universal banks dealing with commercial and investment services such as Morgan Stanley, Credit Suisse and Standard Chartered Bank have revealed the trust frameworks that are utilised by these banks to assess how trustworthy they appear to clients and the wider community (Hurley et al.: 2014: 3). Al - Jazzazi and Sultan (2014: 689 - 690) emphasises that the banking industry is unique in terms of specific actions, standards and operations and a number of studies have developed standard quality measures which are meant to be applicable across cultures and banking institutional types. Koushiki (2014:10) and Al - Hawari (2015:42) all emphasise the demand and development for the loyalty of customers" in the banking industry and the emergence of the different models to measure standard quality in the banking arena.

Retail banking in developed and developing countries has become saturated with regulatory and product differentiation strategies. Consumer behaviour as well as market dynamics has seen an aggressive change in both pricing, product offering as well as market segmentation. The banking industry is highly competitive in the pricing of their banking products and location of their branches and the market power is being shifted from banks to the customers (Koushiki: 2014: 9). The increased differentiation in products and pricing structure has seen a strong focus on client service in Retail Banking.

The retail banking sector allows for a one on one experience with the customer and is a sector in banking and financial industry that is conducive for service quality to be assessed and measured. Since 2001, the banking sector due to financial liberalisation, resulted in fierce competition and introduced the aspect of customer service as the central focus of retail banking business (Koushiki : 2014: 8). Koushiki (2014:8) outlines that the similarity of identities between financial companies as well as other competitors will accelerate and service quality will be a paramount concern in the banking industry as both these service industries are aiming for excellent customer satisfaction. Literature reveals that there has been a wide interest in studies relating to customer satisfaction in the retail banking sector in the developed and developing market economies because of the positive results gained from satisfied customers (Narteh: 2013: 6). Furthermore, the primary challenges that retail banks are currently experiencing is the retaining of customers as well as an increase in profit from them (Narteh: 2013:7).

The World retail banking report (2013:5) stipulates that in as much as the Banks have improved their respective percentages of customers" enjoying great experiences in retail banking in 2013 e.g. United States, Canada, Philippines and Australia have all obtained more than 50% positive customer rating, less than half of banking customers said they are likely to stay with their respective banks.

Below are the following statistics and statements derived from the World banking report (2013:5) :

1) 10% of customers are more than likely to change banks in the next 6 months and 40% are not yet sure if they will be with their current bank in the next 6 months.
2) Customer experiences are closely linked to the element of trust that customers place in their respective banks.
3) The quality of service is the primary factor that leads customers to leave their banks.

For the sake of this study, a specific focus will be centred on South African retail banks as well as the industry trends in retail banking.

2.12 Retail banking industry trends: South African retail banks

Dhurup et al. (2014:587) outlines that South Africa has one of the most sound banking and regulatory infrastructures compared to the rest of Africa with the four major commercial banks being Standard Bank, ABSA, FNB and Nedbank. Ifeacho and Ngalawa (2014:1184) further highlights that the banking sector in South Africa can be labelled as „oligopolistic", highly concentrated and dominated by four major banks as highlighted above. The banking landscape has changed over the years as the top four major commercial banks have seen the addition of Investec into the country"s top banking portfolio (Toit: 2014: 1) . These banks have remained as the pioneers of banking in the South African industry despite tough economic conditions, stricter regulations and negative perceptions regarding reckless lending and service quality.

The banking arena has become infiltrated with constant product differentiation, technological advancements as well as aggressive marketing campaigns to acquire and retain clients (Dhurup et al.: 2014: 2). Toit (2014:1) further highlights that since 1990, the banking industry of South Africa has seen a substantial amount of change in terms of new banking legislation as well as the entry of foreign banks entering the market. Despite small progress since 1994, the South African banking sector has confronted many challenges. A primary challenge in the sector has been the provision of banking service for the „unbanked market" namely, low income earners (Ifeacho and Ngalawa: 2014: 1184). The need for efficient and effective service is the main differentiator in the banking and finance industry and South African Banks are of no exception. External as well as internal trends in the South African retail banking sector convey strong themes of urbanisation, demographic shifts, and technology as well as customer centricity across South African Retail Banks. According to a survey conducted by Price Water House Cooper in 2014 entitled, „*Stability amid uncertainty: South Africa – Major banks analysis',* the South African retail banking landscape conveys a number of strategic themes and has a number of concerns regarding the ever changing landscape of retail banking in South Africa. Service quality remains a key theme and a strong concern for the South African retail banking industry. (www.pwc.co.za/banking: accessed 13 March 2015).

Bagley et al. (2013:7) asserts that the years 2008 – 2009 worldwide saw the emergence of a liquidity crisis in banks which led to the negative impact of banks refusing to assist each other in terms of lending. The financial crisis impacted countries such as Europe as well as

the United States of America but South Africa, due to its healthy liquidity position as well as the conservative financial regulations, was not easily harmed. The Basel 3, a global regulatory framework for banks, will assist banks in being more resilient to any potential crises in the market. In addition, the implementation of the Basel 3 in the banking sector means that there will be increased expenditure amongst the banking sector for continued compliance as well as increased staff costs for the training and recruitment of experienced staff within the banking sector. The cost of banking and improved banking facilities will hurt profit margins and potentially damage the service quality within banks. An improved service quality process will have to be driven within the retail banks.

Ifeacho and Ngalawa (2014:1184) assert that with the Banks Act 94 of 1990 being introduced in the banking industry, this led to an industry increase of new banking licences being issued in the banking arena and the end of 2001 saw a total of 43 registered banks in South Africa. The South Africa banking industry has 17 registered banks, 2 mutual banks, 12 local branches of foreign banks and 41 foreign banks which all have approved representative offices.

Below is a list of the most common findings of the South African retail banking industry and economic landscape:

2.12.1 Economic and industry landscape (2014/2015)

Ifeacho and Ngalawa (2014:1183) highlights that in South Africa, the banking sector accounts for more than 20% of the Gross Domestic Product (GDP) and is the 3rd largest employer accounting for close to 10% of overall employment in South Africa. Post 1994, close to 37% of the country"s adults were not accessing banking services and the „unbanked population", namely the lower income market segment, had a limited access to finance as well as retail banking. Herewith the economic conditions prevalent in South Africa:

1) The economic environment of South Africa has been faced with numerous challenges concerning energy supply as well as unemployment. The South African economy recorded a decrease of 0.6 % in quarter one of 2014. The domestic economy continues to underperform in various economic segments.

2) The 2009 year on year performance in South African retail sales illustrated high unemployment rates as well as inflation.

3) The credit market is projected to remain a challenge because of the constant changes in the South African interest rate cycle. The recent National Credit Regulator‟s quarterly Credit Bureau Monitor (Q1- 2014) showed a reversal in the previously increasing trend of customers with impaired records and the percentage of customers classified as being in good standing. South African economy remains characterised by high levels of household debt to GDP ratios, with a further expected strain as a consequence of the domestic interest rate outlook.

4) The changes in regulation in the banking industry can pressurise banks to change their strategy and utilise their business lines which are not capital intensive. All these changes in operations and strategy would create a banking environment which is attractive to the customers‟.

5) The South African Reserve Bank (SARB) has reinforced the impact of anti-money laundering and combating the financing of terrorism (AML/CFT) controls through penalty action been taken on the major banks. All the major banks have noted the process of strengthening controls and compliance.

6) In addition, the South African reserve bank made a decision to place African Bank Investment Limited under curatorship on the 10th of August 2014. The SARB has since developed recovery plan for African Bank Limited.

<div align="center">Source: Price Water House Coopers: 2014: 3-40</div>

The banking industry is heavily regulated by prominent laws that assist in effective compliance and regulation and monitoring of procedures within the banking industry. Banking legislation also serves as a buffer for banks to maintain their levels of service quality as well as to continuously create new banking products that will increase transactional product usage within the banks. Banking legislation such as the Banks Act No. 94 of 1990, as well as the FAIS act 37 of 2004, to name a few, are all regulatory forms

of instruments that banks must abide by. In addition, Bernstein et al. (2014:2) outlines that the code of banking practice forms as one of the most important influences on modern bank and customer relationship in South Africa. The regulatory environment of the banking sector outlines the focus of service management as well as customer relationship management in the retail banking industry.

The South African Retail Banking landscape is a challenging and demanding environment to compete in and the greatest challenge of major retail banks in South Africa is to continue to create innovative products and pricing structures, enhance their existing product portfolios as well as attract sustainable clients onto their portfolios. Banks such as African Bank Investment Limited as well as Saambou have highlighted the importance of compliance within the banking industry.

South African retail banks are engaging in a competitive battlefield with an urge to retain and attract customers to build market share as well as gain a competitive advantage. The preceding paragraph will highlight the need for service quality measurement in South Africa retail banks.

2.13 The need for service quality measurement in South African Retail Banks

The South African Retail Banking industry conveys a harsh reality of the socio economic conditions of our country. The rising inflation as well as the unemployment rates in our country impact on the economic progression of our country as well as the retail banking arena. The prime success of South Africa"s retail banks lies in their ability to establish and build sustainable relationships with their customers as well as improve and measure their service quality.

The success of banks lies in their ability to address the needs of their clients and maintain any competitive advantage they have that differentiates from competitors and so providing high levels of service quality is therefore important in the context of building mutually beneficial bank – client relationships (Coetzee et al. : 2013: 3). The year 1994, witnessed South Africa re-entering the world economy and this entrance was accompanied by many changes. In South Africa, the services sector is being recognised as one of the most important sectors in the economy. In order to sustain the growth of the financial sector, the financial services have a strong orientation around the principle of service quality (Dhurup et. al: 2014: 588). Retail banking has a more mass orientated approach and tends to focus

on encouraging repeat purchases through multiple interactions with contact – personnel in the branch (Coetzee et al.: 2013: 3).

Ifeacho and Ngalawa (2014:1184) assert that foreign banks have expressed an interest towards the South African Banking industry. Prime examples of foreign interest include the following examples:

1) The British Barclays Group acquired ABSA in October 2007.
2) Standard Bank sold a 20% stake to Industrial and Commercial Bank of China (ICBC) in a transaction valued at US Dollars 5 Billion.

The impact of client retention and acquisition in retail banking has seen South Africa"s major banks implementing creative marketing strategies to attract customers in order to grow their market share. South Africa"s domestic landscape depicts a grim reality of the socio economic conditions of the country and the banking industry has seen fierce competition amongst the retail banking industry to attract clients and improve their service quality. However, a target market that remains critical for retail banks to attract is the student market that boasts numerous product potential for retail banks.

2.14 Relationship management: The student market and the banking industry

The student market profile has been a prime target for retail banks as this market presents sustainable future economic sustainability for the banking industry.

The evaluation of students" perceptions of a bank"s service quality has produced little research in literature (Mokhlis et al.: 2014: 361). The significance of understanding and assessing the perceptions of students" cannot be emphasised more as the university student market is very problematic for retail banks to gain as customers". Yet in spite of the difficulties outlined with this particular market segment, the university market segment is viewed as a lucrative and attractive market for banks as tertiary students will eventually need and demand a wider variety of financial services if captured early in the economic life cycle (Narteh: 2013: 3). Mokhlis et al. (2014:361) assert that the student market is an important segment to financial service marketers and literature has limited information of the perceptions of university students in the banking arena. The inherent demand for students can be seen in the product offerings by retail banks that have accounts and pricing structures that are tailor made for 18 – 30 year old individuals.

Goko (2013:1) outlines that student debt in South Africa is on the rise as students are aggressively engaging in lending practices with the major banks in South Africa. Retail banks such as ABSA and Standard bank hold the greatest weighting in terms of student debt with ABSA reporting a 40% student debt rating, followed by Standard Bank with 32%. According to ABSA retail, the number of new accounts opened by the bank for consumers aged 18 – 24 range has doubled since 2010.

The levels of increasing debt and financial mismanagement in the student market has allowed retail banks to formulate banking products that accommodate the lifestyle and the spending habits of young professionals, namely postgraduate students in South Africa. The student market has been identified as a strong market which displays potential for buying power and gaining access to overdraft facilities, home loans, vehicle and asset financing as well as credit cards.

Below is a comparison table showing the top four retail banks in South Africa and the various product profiles as well as the benefits they have for the intended market. A comparison table highlights the aggressiveness of the industry with regard to the pricing, product and general packaging of the product.

Figure 2: Product profile comparison across South Africa's traditional banks as of February 2015

Qualifying criteria	Nedbank Savvy bundle & professional banking	ABSA Platinum value bundle & Private Bank	FNB Platinum bundle & private clients	STANDARD BANK prestige banking & private banking
INCOME	min 36k per annum	Platinum value bundle- min R300k per annum Private Banking – min R750k per annum	Platinum bundle – R350k per annum Private Banking – min R750k per annum	Prestige banking – min R300k per annum Private Banking – R700k per annum
EDUCATION	none	none	none	none
OVERDRAFT FEE	R0.00 – savvy bundle R50.00 – Professional banking	R20.00 – Platinum value bundle Private bank – R0.00	R57.00 – Platinum bundle R57.00 – private clients	R30.00 – Prestige Banking R0.00 – Private banking
DEDICATED BANKER	Yes	Yes	Yes	Yes
CREDIT CARD MONTHLY FEE	Savvy bundle & Professional banking – R0.00	R55.70 – Platinum value bundle R0.00 – Private Banking	Platinum bundle – R63.00 Private Banking – R0.00	Prestige and private banking – R0.00
MONTHLY FEE	Savvy Bundle – R169 Professional banking – R269 pm	Platinum value bundle – R204.70 Private Banking – R360.00	Platinum bundle – R344.00 Private Banking – R377.00	Prestige banking – R229.00 Private Banking – R345.00

Source: Mbali Bhengu

The above table highlights different product offerings across the top four banks that are applicable to the student market. The young professionals (namely graduate interns) are a young mass of part time students who are newly exposed to the working environment and are first time salary earners. An affordable value bundled packaging is crucial to this

market who seeks to enjoy their money and new accomplished lifestyle. The bundled packages such as the prestige banking at Standard Bank as well as the Savvy Bundle at Nedbank are both typical examples of accounts that are geared towards young individuals who have just begun to work as interns or have started towards their careers. In addition, the private banking accounts across all top four banks are senior professional accounts aimed at the senior market of working professionals who are firmly established in their careers. The table highlights the income criteria threshold on all retail banks as well as the features and benefits of the relevant account packages. Across all retail banks, there is evidently an aggressive approach towards pricing as well as a strong consumer value proposition across all retail banks.

Durdana and Zizak (2015:4) highlights that the student market is more likely to purchase more financial products than a person who hasn't pursued further studies. In addition, banks manage to create more loyalty amongst customers" of that age reaping long term benefits so that the risk of switching to competitors is reduced. In spite of the fact that there has been a strong increase in the number of students among the clientele of branches, branch managers have not realised the full potential of this particular market. In a summarised form, Durdana and Zizak (2015:5) outlines the importance of accommodating the student market in the financial sector:

1) Technological advancements and the emergence of interactive and relationship marketing are the changing rules of success. The student market represents a market that is best equipped to handle any form of changes in the future.

2) The student population represents a customer segment that will generate a high income to enable the use of banking services on completion of their studies. Students are considered profitable customers" in the future.

3) Retail banks are developing packages designed for students in order to get closer to this particular customer but their efforts are in vain as they provide products that are inadequate to students.

The element of client – centricity as well as maintaining an effective relationship in the retail banking arena serves as the foundation of effective banking. Providing the customer

with an efficient banking experience serves as the foundation of effective and efficient client service. The focus on students as the next generation of the banking population is a significant indicator that the student market is a market that needs stronger penetration in terms of product and service differentiation.

2.15 Summary

The retail banking industry has seen an increase in the postgraduate product offering as the potential for this market to gain access to transactional and lending facilities displays enormous potential. The focus of offering product and pricing differentiation as well as offering substantial benefits for the market has seen the retail banking industry slightly more aggressive than before. The SERVQUAL model allows us to assess the perceptions and expectations of clients, measured against five dimensions with 22 intangible factors. A thorough analysis of a postgraduate market in the retail banking industry, such as students who are studying towards a Master"s in Business Administration, will allow the banking sector to fully identify the perceptions as well as the expectations of this market that displays a high full product cross selling opportunity as well as high economic benefits for the retail banking sector.

The perceptions and expectations of the postgraduate market will allow the retail banking sector to create business opportunities and compete with one another as banking groups and aim for differentiation in the retail banking environment, which will encourage sustainable relationship building with this crucial segment of the market as well as create effective retention and acquisition strategies that will attract the young professionals.

The following chapter will highlight the forms of research methodology to be utilised in the study as well as the various forms of research techniques that can be utilised to test reliability and validity of measures in Research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3. Introduction

The research design process is an imperative component of any research process as it outlines various techniques such as the sampling design, data collection methods, measurement of data as well as the data analysis to be utilised in the research project. The utilisation of appropriate instruments provides accurate, reliable and valid answers to the data findings and interpretations that follow.

In this research study, the dimensions that impact on service quality have to be measured in the most precise method so as to reveal the perceptions and expectations of MBA students. In addition, the dimensions that are being presented in the questionnaire need to be effectively measured utilising the correct research methodology tests.

3.1 Aims and Objectives of the study

The aim of the research paper is to investigate the service quality perceptions of students studying towards their MBA degree. The focus is primarily based on investigating their perceptions and expectations of service quality in South African retail banks.

The objectives of this research paper are as follows:

1) Determine MBA student expectations about the quality of South African Retail Banks.

2) Assess the perceived quality of MBA students regarding service quality within South African Retail Banks.

3) To determine the gaps between perceived performance and expectations for Postgraduate students (MBA students) as a crucial market for the South African Retail Banking sector.

4) To introduce ways to improve the quality of service and banking experience for Postgraduate students (MBA students) who are considered important customers in the economic life cycle of retail banks.

Herewith the hypothesis for the study:

H1 – There is statistically significant differences in the **perceptions** of service quality dimensions amongst the biographical data variables for UKZN MBA students towards retail banks.

H2 – There is statistically significant differences in the **expectations** of service quality dimensions amongst the biographical data variables for UKZN MBA students towards retail banks.

H3 – There is statistically significant differences in the **service quality gaps** for MBA students on retail banking services.

3.2 Participants and location of the study

3.2.1 Target Population

Hair, Wolfinbarger, Ortinau & Bush (2008:129) define a target population as individuals who a researcher investigates as part of his/her research study. Individuals can be classified as groups, events or even subjects of interest**.** In this particular study, the targeted population will be first to third year MBA students (Part time and Block students) who are studying at the University of KwaZulu - Natal, Graduate School of Business and Leadership in Durban. The targeted population are primarily working class students who have their own source of income and who are employed or self-employed. The part time MBA students attend on a weekly basis, four times a week in the evenings and the Block MBA students attend four times a month on a monthly basis.

The study is based at the University Of KwaZulu - Natal at the Graduate School of Business and Leadership in Durban. Due to the variety of students attending the University of KwaZulu - Natal, the study only focuses on the Graduate School of Business and Leadership campus.

3.3 Type of Sampling

The sampling utilised in this research paper is categorised under probability sampling, and is known as simple random sampling. Sekaran (2003: 294) asserts that in simple random sampling, "every element of the targeted population has a known and equal chance of being selected as a subject and this sampling design is best when the generalizability of the findings to the whole population is the main objective of the study". In this case, the

targeted population were the MBA UKZN student population and all had an equal chance of being chosen as participants.

The questionnaires were self - administered and the data findings that emanate from the questionnaires can be best applied to the whole population, namely MBA UKZN students.

3.4 **Sample Size**

The sample size in this study is 226 students out of a total 449 MBA students. The sample size chosen was chosen according to Sekaran‟s (2010) sample table. A total population of 440 students would mean that this study would have to accommodate 226 students as the preferred sample size.

The respondents were chosen because of the primary objective of the research paper which is to understand and investigate the perceptions and expectations of the MBA students studying at the campus. In addition, the limited research surrounding this topic allowed the researcher to specifically choose MBA students as a way to gain better insight into service quality perceptions and expectations of a market of students that are considered economically powerful in terms of banking household products as well as their spending power. The responses from the questionnaires administered to the students were integrated into the discussion chapter and also added valuable insight for future recommendations for the study.

3.5 **Research design and methods**

3.5.1 Description and purpose

The questionnaires that were administered to the student population followed the SERVQUAL model questionnaire as designed by Parasuraman et al. (1985:47). The questionnaire had five dimensions (reliability, assurance, responsiveness, empathy and tangibility) with 22 statements and is separated into two parts, namely perceptions and expectations. The questionnaire had a five point likert scale with closed – ended questions.

The purpose of the SERVQUAL model is to investigate the perceptions and the expectations of the service quality of any service industry. Respondents answer a set of statements written under the five dimensions on a typical likert scale from 1 – 5 (1 being „strongly disagree‟ and 5 being „strongly agree‟).

3.5.1.1 **Construction of the instrument**

McBurney and White (2007: 310) outline that the function of a questionnaire is to ask specific questions which can provide answers for respondents to select from. A total of 400 students in the MBA population were identified as the total population and a sample size of 226 students, were outlined as the sample size. A total of 170 students answered the questionnaire, of which 5 were null and void because they were filled out incorrectly. Therefore, a total of 165 surveys were captured and analysed for data interpretation and analysis. The researcher concurred that the response rate was good because it was 74%.

The SERVQUAL questionnaire for service quality was utilised for this particular research paper. The questionnaire was structured as follows:

➢ **Section A** – Biographical data was presented to the respondents who had to choose their respective gender, race classification and year of study. These questions numbered 1 – 5, required respondents to select the number that was best applicable to them as individuals.

➢ **Section B** – Respondents were presented with a 22 item based statements that they had to choose on a likert scale ranging from 1 – 5 where 1 was strongly disagree and 5 strongly agree. The 22 item based questionnaires were segregated into five dimensions of the SERVQUAL model, namely 1) tangibility 2) responsiveness 3) empathy 4) assurance and 5) reliability. Section B was presented as an expectation form in the questionnaire i.e. the statements were presented to the respondents as what they expect an excellent bank should do for them.

➢ **Section C** – Respondents were presented with a 22 item based statements that they had to choose on a likert scale ranging from 1 – 5 where 1 was strongly disagree and 5 strongly agree. As mentioned above, the 22 item based statements were segregated into five dimensions of the SERVQUAL model. Section C was concerned with the perceptions of the respondents i.e. the statements were presented as what the respondents believe their banks should do for them.

Naidoo (2013:104) in her study developed the questionnaire by adapting it to the SERVQUAL instrument developed by Parasuraman et al. (1985:46). Naidoo (2013:104) adapted the following five quality dimensions to the study:

- **Tangibles**: The physicality of the organisation e.g. lighting, seating;
- **Reliability**: The reliance and the accuracy of the organisation in their work performance and service delivery;
- **Responsiveness**: The helpful nature of the staff at the organisation;
- **Assurance**: The knowledge and expertise of employees and their ability to inspire trust and confidence with their clients;
- **Empathy**: The caring and personal attention the staff give to clients;

Tan & Kek (2004: 23) present an opinion that the use of the SERVQUAL model, as opposed to the SERVPERF model, is preferential in higher education institutions because the model includes the service quality expectations of the respondents assessed as well as the gap scores, allowing for a holistic interpretation of the results. The SERVPERF model only measures performance scores and does not include expectations.

The questionnaires were distributed to the study population during lectures. Each participant received the same questions and were allocated the same length of time for completion of the questionnaire.

3.5.2 Pretesting and Validation

The concept „goodness of measures‟ in research methodology is a concept that is not to be overlooked in any way. The instruments utilised in research design should be accurately measured in a bid to produce accurate results which will enhance the scientific quality of the research. The researcher needs to be reasonably sure that the instruments utilised in research do measure the variables that they are supposed to and that they are measured accurately. Sekaran (2003: 203) highlights that in order to ascertain whether the measures developed are good, it is imperative that 1) an item analysis of the responses to the questionnaire is performed and 2) reliability and validity of the measures are established.

3.5.2.1 Item analysis

Sekaran (2003: 203) highlights that item analysis is performed to see if the items in the instrument belong there or not. In research methodology, item analysis involves testing the

means of a high score group and a low score group through the t- values and items with a high t – value are included in the instrument. Thereafter, tests for the reliability and validity of the instrument are done and established.

3.5.3 Reliability

Reliability of a measure relates to whether the items in the instrument are steady and are free of bias. The ability of a measure to remain the same over time – despite uncontrollable conditions/state of the respondents is a good indication of its strong stability (Cooper and Schindler: 2010: 293).

3.5.3.1 Internal Consistency of Measures

The internal consistency of measures indicates the independence of the items being measured so that the respondents can attach the same overall meaning to each of the item.

An internal consistency measurement of the research can be examined primarily through the inter item consistency reliability and split half reliability tests. Bonnet and Wright (2015:3) highlights that the most popular test of inter-item consistency reliability is the Cronbach Alpha which is generally used for multi-point scaled items. The higher the coefficient, the better the measuring instrument. Bonnet & Wright (2015:3) define Cronbach Alpha Reliability as the sum/average of Q measurements where the Q measurements may signify Q raters or even questionnaire/test items. Ideally speaking, the principle is that when measurements represent multiple questionnaire /test items, Cronbach Alpha is referred to as a measure of internal consistency reliability.

Cronbach Alpha, in research methodology, is utilised to determine the reliability of the service quality and economic efficiency dimensions.

Table 3.5.3 outlines the two forms of reliability measurements:

Table 3.5.3: Reliability

Type	Coefficient	What is measured	Methods
Cronbach's Alpha	Consistency is internal	The items used in the instrument are homogenous and therefore reflect the same ideas	Correlational formulas that are specialised.
Test Re-test	The coefficient is solid	Reliability of test scores that is administered twice over six months	Correlation to determine the relationship

Source: Cooper and Schindler (2010:290)

The above table outlines two forms of reliability measurements, namely Cronbach"s Alpha as well as a Test Re - Test. Bonnet and Wright (2015:3) outline that the Cronbach Alpha is utilised when the coefficient is internal and the items that are utilised in the research instrument are homogenous. In addition, the Test Re -Test method is utilised when the coefficient is recognised as solid and ideally measures the reliability of test scores. The test is utilised to determine the correlation between relationships.

3.5.4 Validity

Yona and Inanga (2014:49) outlines that a validity test is concerned with measuring the legitimacy of cause – and – effect relationships and can come in various forms including content validity, criterion – related validity and construct validity. The different types of validity are depicted in table 3.5.4 A:

Table 3.5.4 A: Validity

Type	What is measured	Methods
Content Validity	The content that strongly represents the items considered in the study	• Judgement methods • Evaluation from the panel
Criterion related Validity	Deals with prediction and whether the aspects of the criterion are easily captured by the predictor	• Correlation
Construct Validity	Consideration of theory and the measurement instrument	• Judgement • Correlation • Factor analysis • Mutivariate

Source: Cooper and Schindler (2010:290)

The above table highlights the types of validity measures that can occur in a research. The particular study will be assessing the correlation of relationships (hypothesis testing) and will be utilising nonparametric statistics.

3.5.5 Non – Parametric test: Kruskal – Wallis Test

According to Keller and Gaciu (2014: 45) a non – parametric test allows the researcher to outline whether the population locations are different or not. A specific form of parametric test is the Kruskal - Wallis test which is generally applied to statistical problems with the following characteristics:

➢ The prime objective of the problem is to compare two or more populations.
➢ The data are not considered normal but are rather ordinal or interval.
➢ The samples are known to be independent.

Generally, the calculation of the Kruskal – Wallis test is determined by the value of the test statistic, which is known as H. A small value of H supports the null hypothesis and if there is a large difference between the rank sums, the test statistic will be generally large (Keller & Gaciu : 2014: 45).

The Kruskal – Wallis test was used in the analysis of the results because the normality tests outlined that the overall scores for expectations and perceptions were not normally distributed. A comparison of two or more populations had to be conducted in the study to determine whether there was a statistically significant difference between the populations being assessed as well as to investigate the service quality gaps. The Kruskal - Wallis test was used to investigate the gap analysis with regards to two or more populations such as, race, age, International and local students, year of study and which bank the participants" bank with.

Chapter four illustrates the calculations of the Kruskal – Wallis test and highlights the populations that are statistically different in the service quality dimensions. The results revealed that age, gender and race had no statistically significant difference (p > 0.05) in the service quality dimensions. The only exceptions were highlighted in the tests for local/international students, year of study and the types of banks that revealed statistically significant differences in certain service quality dimensions (p <0.05).

3.5.6 Non – Parametric test: Mann – Whitney Test

Zikmund (2000: 501) identified the Mann – Whitney test, also known as the Rank test, as the testing of the differences between groups when the population is not normally distributed. It can also be used when the samples from the tested population can"t be assumed that they are equal in variability.

Chapter four illustrates that the Mann – Whitney Test was done to investigate the gap analysis with regard to participants" gender and the results revealed that there was no significant difference in the participants" gender (p>0.05). The Mann – Whitney test was utilised in this instance because the population was not normally distributed and not equal in variability.

3.5.7 Spearman Rank Correlation Coefficient

Keller and Gaciu (2014: 49) outline that a coefficient of correlation allows us to determine whether a linear relationship exists between two interval variables. Generally when there is a test for a P, it is believed that the variables should be bivariate or normally distributed. However, some research situations have produced one or both variables that are ordinal or if both variables were interval, the normal distribution was not completely satisfied.

Should this be the case, the researcher can measure and test to determine whether a relationship exists by using the Spearman rank correlation coefficient.

In an attempt to outline whether a relationship exists between perceptions as well as expectations of service quality, the researcher used Spearman"s rho correlation coefficient to determine whether or not correlations exist. Chapter four reveals that there is a relationship between expectations as well as the perceptions of service quality i.e. The correlation was significant at the 0.01 level highlighting that the students who had high expectations also had high perceptions regarding the service quality within retail banks.

3.5.8 Analysis of the data

The data will be analysed through the following statistics:

1) **Descriptive statistics:** Descriptive statistics, according to Struwig and Stead (2001: 158) are statistics that provide summaries of the data analysed. The descriptive statistics is concerned with the measures of central tendencies and there are three measures of central tendencies in statistics namely: Mean, median and mode. For the purpose of this study, the mean will be used. Outlined below is a definition of the mean:

- **Mean**: Sekaran and Bougie (2010: 316) outlines that the mean is a measure of the central tendency and is known as the average of a set of particular outcomes. However, Hair et al. (2008: 246) further outlines that the mean can be subject to distortion if extreme values are included in the final distribution of the data.

In addition, there are three measures of dispersion, namely the Range, standard deviation as well as the variance. For the sake of this research, the standard deviation will be used to measure the variation of the subject responses.

- **Standard deviation**: Sekaran and Bougie (2010:318) highlights that the standard deviation is a measure for dispersion and is also commonly referred to as the square root of the variance presented in the data. Keller (2012:162) further agrees with this principle and outlines that standard deviation can be defined as a positive square root of a variance.

2) Non – parametric statistics: The non – parametric tests that will be utilised are the Mann – Whitney test, Kruskal – Wallis test as well as the Spearman Rank order correlation.

3.6 Ethical concerns

The primary concern of the researcher is to protect the participants from any exposure to confidential information that may, in the process, harm their integrity or self - esteem. An ethical clearance was received and granted from the office of the Registrar at UKZN for this study. Moreover, the questionnaire that was handed to the students contained a cover letter stating the ethical integrity as well as the purpose of the study. In addition, the ethical clearance proposal that was administered by UKZN highlighted that the research study will be kept in the universities premises for a period of five years. All forms of ethical approval were disclosed to the participants and they were free to participate or withdraw from the study.

3.7 Summary

Research methodology is a crucial component of research design and is critical in the evaluation and analysis of data. An effective and accurate analysis of data can only be performed if the correct sampling designs and size as well as statistical techniques are utilised to interpret the findings of data received. The above outline of techniques and explanations outlined in this relevant chapter, serve as a proper guideline for the result and analysis of the data. The following chapter will present the research data gathered from the questionnaires that were filled out by the students.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

Chapter four provides an outline and an analysis of the questionnaires that were administered to the students. The following chapter will provide an interpretation of the descriptive as well as the inferential statistics that were utilized to produce the results. In addition, literature will be included to compare the result findings from previous studies.

4.2 Reliability analysis and Descriptive analysis

4.2.1 Cronbach Alpha value

A total of 165 MBA students completed the self-administered anonymous questionnaire. The reliability analysis showed that the data were very reliable as the Cronbach"s Alpha value was 0.92. The questionnaire consisted of 22 items (statements) from expectations section as well as 22 items from the perceptions section in the questionnaire, which made a total of 44 items (statements). Yona and Inanga (2014:49) are of the opinion that in analysing Cronbach Alpha the reliability score should be > 0.5 in order to rely on the variables that are used to measure service quality. The table below outlines that the reliability score is 0.920 and therefore we have confidence in relying on the data presented.

The table below highlights the reliability statistics from the Cronbach Alpha test:

Table 4.1: Reliability analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.920	44

4.3 Descriptive Analysis

Participants'' socio-demographic variables are summarized in figure 4.3.1 to 4.3.6.

Figure 4.3.1 highlights the age distribution of the participants.

Figure 4.3.1: Age distribution of the participant
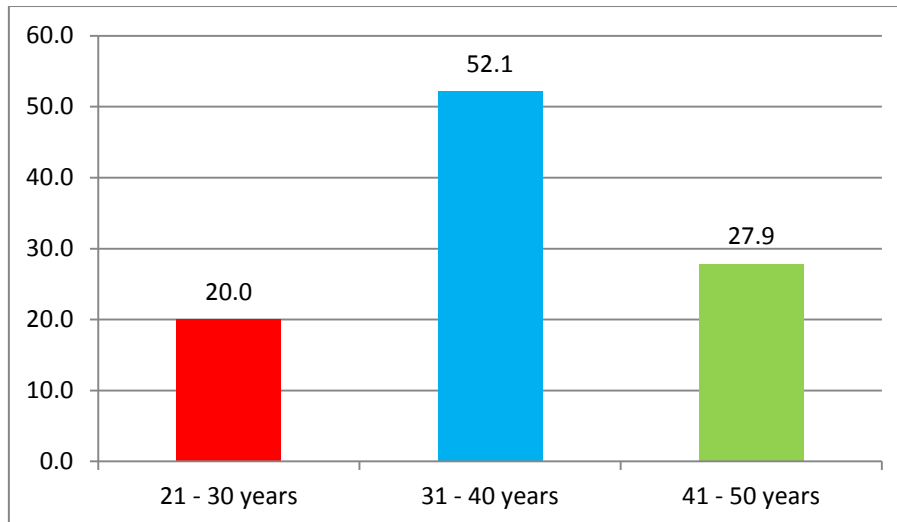
The figures reveal that more than half of the participants (52%) were between the ages of 31 years and 40 years. Participants aged between 21 – 30 years accounted for 20% of the age group, followed by 28% of the participants who were aged between 41 -50 years of age.

Figure 4.3.1 shows the distribution of gender amongst the participants.

Figure 4.3.2: Distribution of gender (%)
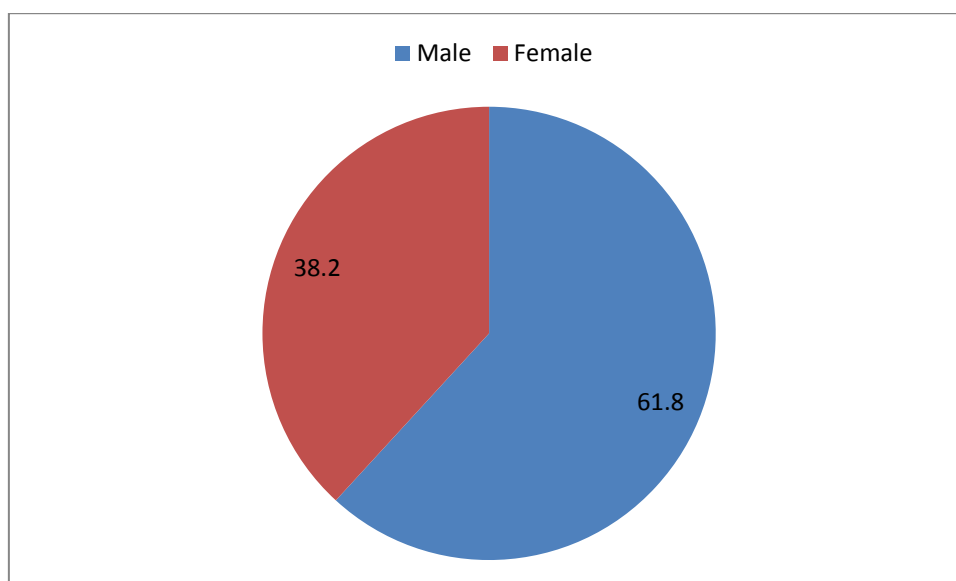
The figures reveal that 62% of the participants were male followed by 38.2% of participants being female.

Figure 4.3.3 highlights the distribution of race amongst the participants.

Figure 4.3.3: Distribution of race (%)
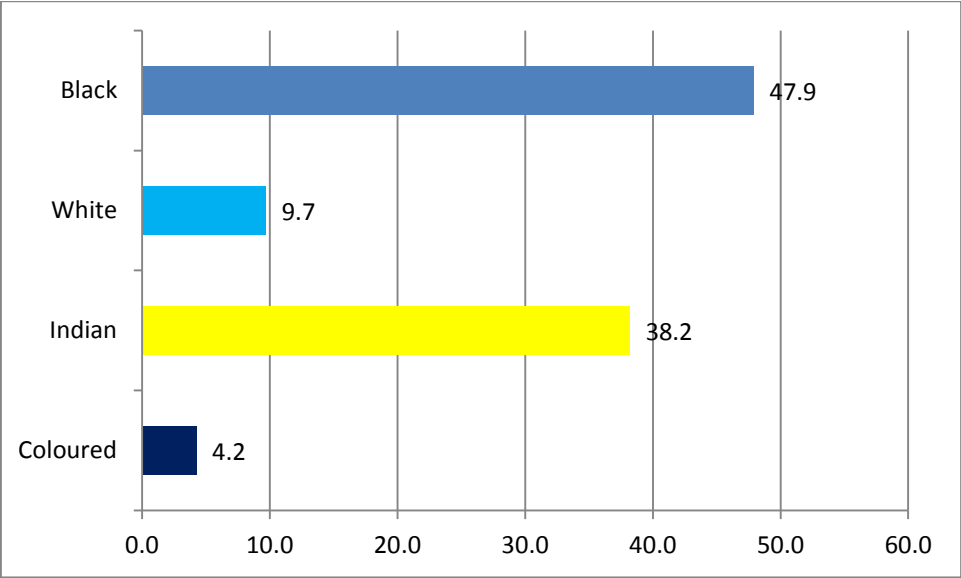
With regards to race, nearly half of the students" were black (48%) followed by Indians (38%). The white population accounted for 9.7% of the population as well as the coloured group who accounted for 4.2% of the total race.

Figure 4.3.4 showcases the types of students amongst the participants.

Figure 4.3.4: Frequency of types (local/International) of students
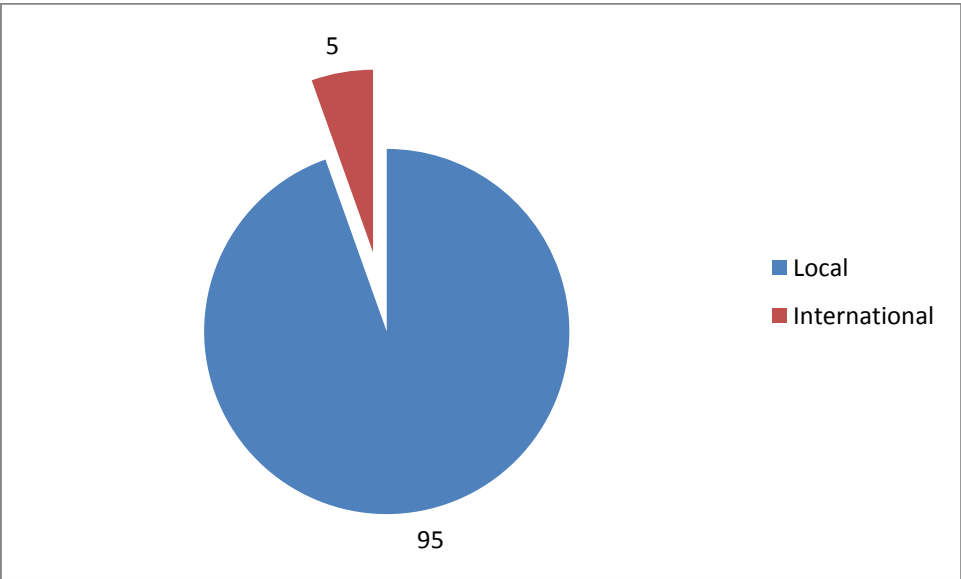
The majority of the students were local students (95%) as depicted in figure 4.3.4 and a further 5% were classified as International students.

Figure 4.3.5 highlights the years of study of the participants.

Figure 4.3.5: Years of study of the participants (%)
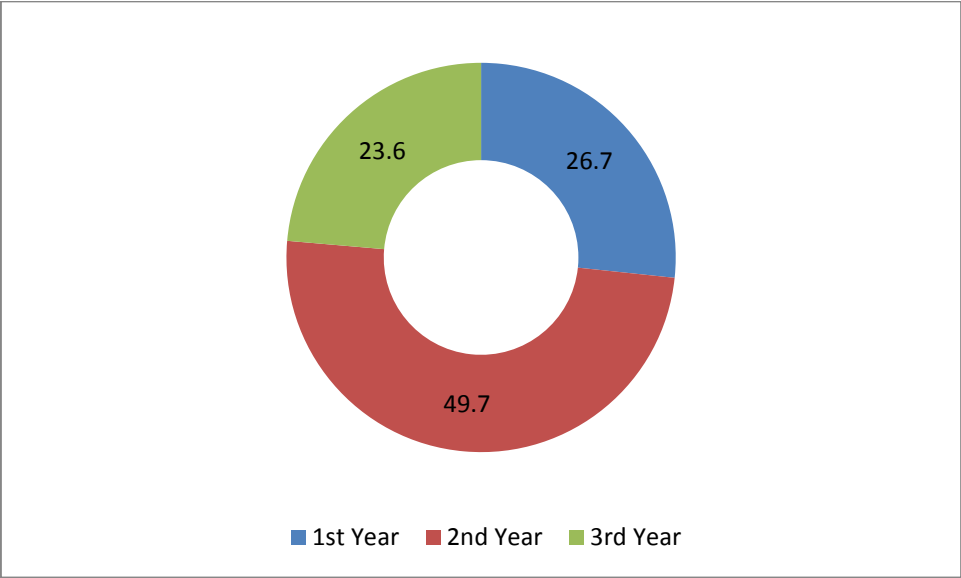
The results revealed that half of the students were from their second year of study (50%). First year students accounted for a further 27% and Third year students accounted for 24% of the population.

Figure 4.3.6 outlines the different banks that the participants banked with.

Figure 4.3.6: Participants' current bank (%)
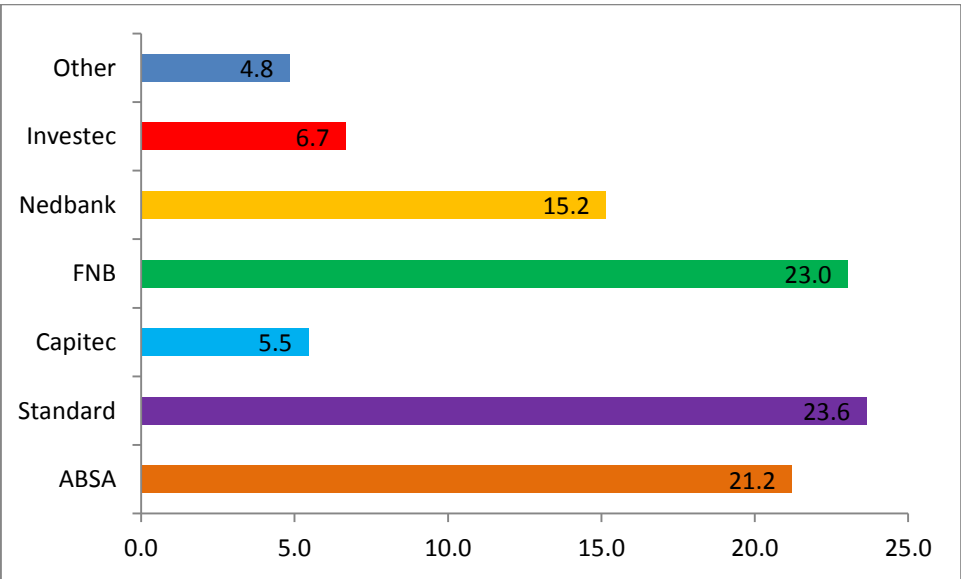
When participants were asked who they bank with, 24% mentioned that they bank with Standard bank followed by FNB (23%), and ABSA (21%). Nedbank accounted for 15%, Capitec (5.5%), Investec (7%) and other was only 5%.

The above descriptive statistics share a similarity in results to Narteh (2014:160) who also produced a 54,2 % male respondent and a 45,58% female respondent in his student service quality study. In addition, Narteh (2014: 160) also highlighted that his participants were between the ages of 25 – 35, further highlighting that they were indeed junior and senior working professionals in the study. In terms of the race statistics as well as the gender, nearly half the respondents were black and were in their second year of study.

To investigate participants" expectations regarding service quality of South African retail banking, there were 22 statements which were posed to the participants. All the statements were 5-points likert types with 1 point indicating a Strongly Disagree (SD) and 5-points indicating a Strongly Agree (SA) description. It was found that the overall mean score was 4.50 with a standard deviation of 0.42. This result indicated that participants" expectations regarding service quality of the retail banking in South Africa were positive. Results had shown that the majority of the participants agreed or strongly agreed to all the statements (>80%). For example, 73% strongly agreed with the statements "An excellent bank insists on keeping error free records" and "An excellent bank performs prompt services". More than 90% of the participants answered positive to the following statements:

> An excellent bank has staff that is willing to assist,
> An excellent bank has staff that are friendly, well – mannered and courteous,
> An excellent bank has staff that have knowledge and expertise to answer questions,
> An excellent bank has staff that give individual attention,
> An excellent bank has convenient operating hours,
> An excellent bank has staff that keep their best customers" best interests at heart,
> An excellent bank understands the specific needs of customers,
> An excellent bank has staff that gives personal attention to clients during their service encounter.

A Summary of all the statements regarding expectation of service quality in South Africa are shown in **table 4.2.1**

Table 4.2.1: Summary of statements regarding expectations of service quality in South Africa

Statement	SD	D	U	A	SA
An excellent bank has modern looking equipment (Tangibility)	1.8	5.5	7.9	32.1	52.7
An excellent bank has appealing physical facilities (Tangibility)	1.2	5.5	4.2	37.6	51.5
An excellent bank has neat, well presented staff (Tangibility)	1.2	2.4	8.5	24.2	63.6
An excellent bank has visually appealing brochures, pamphlets and websites (Tangibility)	1.2	6.1	10.9	21.8	60.0
An excellent bank has staff that keeps their promises (Reliability)	.6	.6	9.1	30.3	59.4
An excellent bank has sincere interest in solving customers" problems (Reliability)	.6		12.1	24.2	63.0
An excellent bank has staff that perform the right services within a good time frame (Reliability)		1.2	8.5	25.5	64.8
An excellent bank insists on keeping error free records (Reliability)	.6	2.4	7.9	23.0	66.1
An excellent bank has staff performing services right the first time (Reliability)	.6	1.2	8.5	17.0	72.7
An excellent bank has staff that tell their customers" exactly when services will be performed (Responsiveness)	.6	1.2	2.4	35.8	60.0
An excellent bank performs prompt services (Responsiveness)		1.2	3.6	22.4	72.7
An excellent bank has staff that are willing to assist (Responsiveness)			4.2	25.5	70.3
An excellent bank has staff that gives prompt		1.2	7.3	23.8	67.7

	SD#	D	U	A	SA
response to queries (Responsiveness)					
An excellent bank has professional staff who instil confidence in customers (Assurance)	.6	.6	6.7	35.8	56.4
An excellent bank provides an environment where customers" feel safe in their transactions (Assurance)		.6	9.7	28.5	61.2
An excellent bank has staff that are friendly, well – mannered and courteous (Assurance)		1.2	6.1	30.9	61.8
An excellent bank has staff that have knowledge and expertise to answer questions (Assurance)			8.5	27.3	64.2
An excellent bank has staff that give individual attention (Empathy)	.6	1.2	7.3	33.9	57.0
An excellent bank has convenient operating hours (Empathy)		2.4	6.1	22.4	69.1
An excellent bank has staff that keep their customers" best interests at heart (Empathy)		1.8	6.1	34.5	57.6
An excellent bank understands the specific needs of customers (Empathy)		1.8	6.7	27.3	64.2
An excellent bank has staff that give personal attention to clients during the service encounter (Empathy)		1.8	6.7	26.1	65.5
Aggregate mean (Stdev)	4.50 (0.42)				

#SD=Strongly Disagree, D=Disagree, U=Undecided, A=Agree, SA=Strongly Agree, Stdev=Standard deviation

The ranking of the above variations in in terms of highest to lowest showed the following results for expectations: Tangibility (SD = 1.8 to 1.2); Reliability (SD = 0.6); Responsiveness (SD=0.6); Assurance (SD = 0.6) And Empathy (SD = 0.6). The above expectations" regarding service quality from the participants are relatively similar to that of Roche (2014:6-7) who outlined in his study that assurance, empathy, reliability as well as security were the front runners in terms of customer satisfaction. However, Durdana and Zizak (2015:12) highlights that students tend to consider reliability to be the most

important dimension because the dimension is concerned with the accuracy of record keeping and the provision of services within a specific time period. Narteh (2014:157) as well as Roche (2014:10) assert that corporate image is the most important indicator of customer satisfaction and is an important selection criterion by students for retail banks. The results highlighted that the participants believe that an excellent bank will provide them with staff who are knowledgeable, well – mannered, client centric motivated as well as interested in assessing their needs. The FAIS Act 37 of 2004 makes provision for bank staff to be knowledgeable about their products, assess their clients" needs and make certain disclosures regarding the Ombudsman for FAIS (Milpark education:2015:48). The South African banking industry has provided extensive regulatory and legislative frameworks, such as the Code of Banking Practice, which further outline the importance of these dimensions in legality.

The high expectation regarding convenient banking hours matches to the recent business trend within the sector, which has seen the traditional banks extending their hours to accommodate clients" in their banking transactions. The emergence of Capitec Bank in the retail banking sector aroused an interest amongst the traditional banks as this bank implemented a business model that centered on simple, paperless transactions as well as extended banking hours (Bagley et al. : 2013 : 58).

To investigate participants" perceptions regarding service quality of South African retail banking, the researcher presented a questionnaire formatted into 22 statements. All the statements were 5-points likert types where 1 point indicated Strongly Disagree (SD) and 5-points indicated Strongly Agree (SA). Table 4.3 presents a summary of all the statements regarding perception of service quality for retail banks in South Africa. Results conveyed that the overall mean score was 4.06 with a standard deviation of 0.55 which indicated that participants" perceptions regarding retail bank in South Africa was positive. It was found that the majority of the participants agreed or strongly agreed to almost all the statements (>80%). For example, 89% agreed that their bank has modern looking equipment, 92% agreed to their bank having appealing physical facilities, 90% agreed to their bank having neat, well presented staff, 84% agreed that their bank has staff that give them personal attention during their encounter, and 84% agreed to that their bank has staff that are friendly, well- mannered and courteous.

Table 4.3: Summary of statements regarding perception of service quality for retail bank in South Africa

Statements[#]	SD	D	U	A	SA
My bank has modern looking equipment.		4.2	6.7	48.5	40.6
My bank has appealing physical facilities.		3.0	4.8	52.1	40.0
My bank has neat, well presented staff.		1.2	8.5	47.9	42.4
My bank has visually appealing brochures and pamphlets.		2.4	12.7	36.4	48.5
My bank has staff that keep their promises.		4.2	16.4	46.7	32.7
My bank has sincere interest in solving customers" problems.	2.4	6.1	16.4	39.4	35.8
My bank has staff that perform the right services within a good time frame.	1.2	10.3	14.5	39.4	34.5
My bank insists on keeping error free records.	.6	8.5	18.8	33.3	38.8
My bank has staff that give prompt response to queries.	2.4	4.2	18.8	39.4	35.2
My bank has staff that tell their customers" exactly when services will be performed.	1.8	9.1	16.4	41.8	30.9
My bank performs prompt services.	.6	7.9	21.8	41.2	28.5
My bank has staff that are willing to assist me.	.6	8.5	19.4	43.6	27.9
My bank has staff that give prompt response to my queries.	.6	5.5	16.4	43.0	34.5
My bank has professional staff who instill confidence in me.	1.2	4.8	15.2	49.7	29.1
My bank provides an environment where	.6	2.4	17.6	41.2	38.2

	SD	D	U	A	SA
customers" feel safe in their transactions.					
My bank has staff that are friendly, well – mannered and courteous.		2.4	13.3	43.6	40.6
My bank has staff that have knowledge and expertise to answer questions.	.6	3.6	18.8	37.0	40.0
My bank has staff that give me individual attention.	.6	4.8	22.4	47.3	24.8
My bank has convenient operating hours.	2.4	9.7	15.8	45.5	26.7
My bank has staff that keep my best interests at heart.	2.4	4.2	18.2	41.2	33.9
My bank understands my specific banking needs.	3.6	3.0	18.8	37.0	37.6
My bank has staff that give me personal attention during the service encounter.	3.0	3.6	9.1	41.8	42.4
Aggregate mean score (Stdev)	4.05 (0.55)				

[#]SD=Strongly Disagree, D=Disagree,   U=Undecided,   A=Agree,   SA=Strongly Agree, Stdev=Standard deviation

The ranking of the variations in responses from the highest to the lowest showed the following for perceptions: My bank understands my specific banking needs (SD= 3.6); My bank has convenient operating hours (SD = 2.4); My bank has staff that tell their customers" when services will be performed (SD= 1.8) as well as my bank has professional staff who instill confidence in me (SD =1.2).

The above perceptions" highlight a strong response rate towards the corporate image/ tangibility dimension of the service quality questionnaire which is different from that of Durdana and Zizak (2015:16) who mentioned that in their study the smallest gap was identified in the tangibility dimension because the majority of the student

market/customers are now banking in the privacy of their homes and have lost the interest of the branch face to face interaction. However, it seems that the participants were in favour of the branch look and feel in their respective banks and the majority of the students agreed with the statements presented to them concerning the physicality of the branches. Retail Banks such as Capitec Bank, Nedbank as well as FNB have recently undergone renovations in their retail banking arenas as well as their head offices in an attempt to provide the best banking experience for their clients. Perhaps, the high ranking for tangibility emerges from the recent nationwide renovations that have occurred amongst the branches, which has motivated the banking clients" to exert a positive attitude surrounding their retail banks.

The statements relating to promptness of services, convenient operating hours as well as a personalized individual attention faired low in the perceptions of the participants. The participants felt that their banks were not efficient enough in being prompt and did not have a personalized client interaction with the participants.

Participants overall score for expectations and perceptions were compared with socio-demographic variables. Normality test showed that the overall scores for expectations and perceptions were not normally distributed. Therefore, further analyses were conducted using non-parametric tests such as Kruskal-Wallis and Mann Whitney U test where applicable.

4.4.1 Non – Parametric Tests: Kruskal – Wallis, Mann Whitney U Test and Spearman"s Rho Correlation Test – service quality gaps (Perceptions and Expectations)

Kruskal-Wallis test was used to investigate the Gap analysis with regards to the age of the participants.

Table 4.4 illustrates the results of the Kruskal – Wallis test for age

Table 4.4: Kruskal – Wallis Test – Age

Sections	Age categories total rank			Chi-squared value	p-value
	21 – 30 years	31 – 40 years	41 – 50 years		
Tangibility	2691.90	7756.00	3247.50	5.075	0.07
Reliability	3310.00	6616.00	3769.00	5.740	0.0567
Responsiveness	2956.50	7102.00	3636.50	0.948	0.6224
Empathy	2874.50	6790.00	4030.50	1.291	0.5245
Assurance	2880.00	6936.50	3878.50	0.506	0.7766

The above results highlight that there is no statistically significant difference in the tangibles, reliability, responsiveness, empathy as well as the assurance dimensions ($p > 0.05$). Ramez (2011:118) also conveyed a similar result in his study as there was no difference in the expectations and perceptions of the age groups in his study.

Table 4.5 highlights the Mann-Whitney test which was done to investigate the Gap analysis with regards to participants" gender.

Table 4.5: Mann – Whitney Test - Gender

Sections	Gender (rank)		Z value	P-value
	Male	Female		
Tangibility	8483.5	5211.5	0.059	0.953
Reliability	8637	5058	0.577	0.5639
Responsiveness	8887.5	4807.5	1.428	0.1534
Empathy	8227	5468	-0.805	0.4208

| Assurance | 8394 | 5301 | -0.244 | 0.8075 |

There was no significant difference in Gaps according to the participants" gender (p>0.05). The table highlights that there is no statistical difference in the tangibles, reliability, responsiveness, empathy as well as assurance dimensions according to gender. However, Spathis, Petridou & Glaveli (2004: 93 - 94) conducted a research on managing the service quality in banks in Greece with a specific focus on gender effects. The study sought to investigate the service quality perceptions and gap analysis of male and female Greek retail bank customers" and the study revealed that the male clients" of Greek banks showed a more positive perception of the quality of service they received than women clients initially did. Perhaps this was an indication that male clients had more experience in dealing with banks because of the traditional role they played as breadwinners.

Table 4.6 highlights the Kruskal – Wallis test which was conducted to investigate the gap analysis according to race.

Table 4.6: Kruskal – Wallis Test - Race

Sections	Race (rank)				Z value	P-value
	Black	White	Indian	Coloured		
Tangibility	662.50	4952.50	1229.50	6850.50	1.691	0.6390
Reliability	712.00	5224.50	1423.00	6335.00	1.593	0.6609
Responsiveness	785.00	5030.00	1440.00	6440.00	3.299	0.3477
Empathy	691.00	5400.50	1414.00	6189.50	1.913	0.5906
Assurance	609.00	5021.00	1409.00	6656.00	0.584	0.9001

There was no significant different in gaps according to race (p>0.05). The table above highlights that there was no statistically significant difference in the tangibles, reliability, responsiveness, empathy as well as assurance dimensions according to race. (p > 0.05).

In a developing country, socio economic crises such as droughts, poverty, high levels of debt as well as the lack of the necessary infrastructure have affected almost all races on a

personal level and could contribute towards their perceptions of service quality (Okoe et al. : 2013 : 82). Moreover, Jusoh et al. (2004: 46) revealed in his study based on service quality in higher education that the perceptions towards service quality differed according to the year of study and race classification. The presented results are in agreement with the researchers, Jusoh et al. (2004: 47).

Table 4.7 outlines the Kruskal – Wallis test which was performed to investigate the service quality gaps between local and international students. There was no statistically significant difference in the tangibles, reliability, empathy as well as assurance dimensions ($p > 0.05$).

Table 4.7: Kruskal – Wallis Test – Local or International Student

Sections	Local or International student (rank)		Z value	P-value
	Local	International		
Tangibility	13134.5	560.5	1.351	0.1768
Reliability	13020	675	0.520	0.6032
Responsiveness	13070.5	624.5	0.888	0.3748
Empathy	12983	712	0.252	0.8009
Assurance	13025	670	0.557	0.5773

There was no statistically significant difference in the years of study for MBA students ($p > 0.05$) however there was a statistically significant difference in the assurance dimension ($p < 0.05$).

Table 4.8 highlights the Kruskal – Wallis test which was used for the year of study for the participants.

Table 4.8: Kruskal – Wallis test – Year of Study

Sections	Year of MBA study (rank)			Z value	P-value
	1st year	2nd year	3rd year		
Tangibility	3749.50	6341.00	3604.50	2.767	0.2507
Reliability	4199.50	6260.50	3235.00	4.575	0.1015
Responsiveness	3735.00	6640.00	3320.00	0.293	0.8636
Empathy	3991.50	6402.50	3301.00	2.064	0.3564
Assurance	3899.50	6002.50	3793.00	7.532	0.0231

The Kruskal – Wallis Test for the year of study highlighted that there was no statistically significant difference amongst the following service dimensions: Tangibility, Reliability, Responsiveness and empathy ($p > 0.05$) however, there was a statistically significant difference in year of study in the assurance service dimension from 1st years to 3rd year of study ($p < 0.05$). In Roche"s (2014:10) study, assurance was rated as the second most important service dimension after empathy and it was concluded that assurance given by the bank staff was vital for convincing customers" to utilize internet banking. The service quality gap identified for the „assurance" service dimension correlates to previous research conducted by Durdana and Zizak (2015:15) which revealed, in his study, that the students" perceptions of physical, financial security as well as assurance fell short of their expectations, which indicated a quality gap in the „assurance" dimension. As much as the majority of the participants" strongly perceived that their retail banks have staff who are well presented in image and offer them personalized service interaction, it is possible that the MBA students still feel that there is room for improvement in terms of professionalism in the branches, a much safer banking environment as well as establishing deeper relationship in terms of the personalized interaction with the banking staff.

Table 4.9 highlights the Kruskal – Wallis test which was performed to investigate the service quality gaps regarding the different types of banks.

Table 4.9: Kruskal – Wallis test – Which bank participant's bank with

Sections	Which bank are you banking with? (rank)							Z value	P-value
	ABSA	Standard Bank	Capitec Bank	First National Bank	Nedbank	Investec	Other		
Tangibility	3322.50	3307.50	666.00	2477.00	2341.00	874.00	707.00	9.243	0.1604
Reliability	2903.00	2803.00	705.00	2984.50	2263.50	1074.00	962.00	9.051	0.1707
Responsiveness	2856.50	3126.00	615.00	3441.50	2098.50	881.50	676.00	2.026	0.9173
Empathy	2871.50	2514.00	800.00	3240.00	2555.00	1193.00	521.50	14.381	0.0257
Assurance	2753.00	3105.50	799.00	3387.00	2143.00	796.00	711.50	1.991	0.9205

The table above highlights that there was no statistically significant difference amongst the different banks concerning tangibility, reliability, responsiveness as well as assurance ($p>0.05$). However, there was a statistically significant difference towards the empathy dimension ($p<0.05$). The results obtained in this study concerning the „empathy" service quality gap are different from that of Strandberg et al. (2013:362) who outlined in their research that the most important service quality dimensions amongst banking students were reliability, responsiveness and assurance. Perhaps the MBA students felt that across all the retail banks in South Africa, the service quality dimension on empathy was not being fulfilled. In comparison, Coetzee and Tait (2013:15) found in their study that „empathy" was a prime service differentiator and that the customers" felt that their bank staff provided empathetic services towards them as customers. It is possible that the MBA students feel that their respective banks are not doing enough to understand their needs as clients. In addition, compulsory mandates such as financial/investment needs analysis should be consistently utilized in interactions with clients.

4.10 Comparison of median scores for expectations and perceptions with regards to biographical data

The following tables highlight the overall median scores for expectations and perceptions with regard to biographical data. A hypothesis test summary is outlined in each table highlighting the hypothesis statement, the statistical test used, significance level as well as the decision to accept or reject the null hypothesis.

Table 4.10: Comparison of median scores for expectations and perception with regards to age

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Age.	Independent-Samples Kruskal-Wallis Test	.795	Retain the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Age.	Independent-Samples Kruskal-Wallis Test	.208	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Results indicated that the median scores for expectation and perceptions were similar among the different age groups of the participants (p>0.05) **(Table 4.10).** The hypothesis can be retained in terms of the categories of age as the significance level is 0.795 for expectations and 0.208 for perceptions. Ramez (2011:118) also conveyed a similar result in his study as there was no difference in the expectations and perceptions of the age groups in his study.

Table 4.11: Comparison of median scores for expectations and perception with regards to gender

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.541	Retain the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.390	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Table 4.11 shows that the median scores for expectation and perceptions were similar between male and female participants (p>0.05).

The median significance level for gender was 0.541 (expectation) and the perception significance level was 0.390 (perception). The distribution of expectations and perceptions across the category of gender were the same and so the null hypothesis can be accepted and retained.

Gupta and Bansal (2011:84) concluded in their study that male and female customers‟ showed different behavior in the preference of banks as well as their banking product usage. Narteh and Kuada (2014: 358) further outlines previous research conducted that discovered that male customers‟ tend to emphasize dimensions such as safety and the general speed of transactions whilst females tended to emphasize savings and the convenience of banking. However, research scholars such as Ham and Hayduk (2003: 226) revealed in their studies, that gender revealed no significant relationship with perceived service quality. This interpretation coincides with the presented results, which also highlights that the distribution of expectation as well as perception is the same across all categories of gender and that gender has no influence for service quality.

The effect of demographic variables on service quality, especially gender, has revealed different and at most times opposing results depending on the selected service area. These interpretations differ in result from this interpretation of results that shows that the distribution of expectation as well as perception is the same across all categories of gender and that gender has no influence for service quality.

Table 4.12: Comparison of median scores for expectations and perception with regards to race

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Race.	Independent-Samples Kruskal-Wallis Test	.226	Retain the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Race.	Independent-Samples Kruskal-Wallis Test	.031	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Table 4.12 highlights that the median scores for expectation was similar (p = 0.226) but the median scores for perception was significantly different among the different race groups of the participants (p = 0.031) **(Table 4.12).**

The above results conveyed that race had an impact for the perceptions of service quality but conveyed no impact for expectations of service quality. Maduku (2013:83) outlines that various researchers have conducted research on the effect of retail banking customers‟ biographical variables such as age, race and gender and have found that these variables have a significant influence towards customers‟ attitudes towards online and retail banking. In addition, Narteh & Kuada (2014:367) further asserts that utilizing a western model (such as SERVQUAL model) in an emerging market may not be appropriate as it fails to outline the cultural beliefs and views in demographics such as race and gender. It is therefore, difficult to understand why there is a significant difference amongst race for perception in service quality. However, bearing in mind that the study was conducted in South Africa, the topic of race can be closely linked to the history of the banking industry and how it affected different races and their mind set towards retail banks.

In a developing country, socio economic crises such as droughts, poverty, high levels of debt as well as the lack of the necessary infrastructure have affected almost all races on a personal level and could contribute towards their perceptions of service quality (Okoe et al. : 2013 : 82). Moreover, Jusoh et al. (2004: 46) revealed in his study based on service quality in higher education that the perceptions towards service quality differed according

to the year of study and race classification. The presented results are in agreement with the researchers, Jusoh et al. (2004: 47).

Table 4.13: Comparison of median scores for expectations and perception with regards to local/International of student

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Local or International	Independent-Samples Mann-Whitney U Test	.703	Retain the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Local or International	Independent-Samples Mann-Whitney U Test	.401	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Results highlighted that the median scores for expectation and perceptions were similar between local and international students ($p > 0.05$) (Table 4.13).

The table above highlights that the distribution of expectations and perceptions of service quality between local and international students is the same and that the hypothesis can be accepted and retained. This result coincides with the work of Narteh and Kuada (2014:354) who outlined that nationality groups did not have a significant difference towards the perception of service quality in banking.

There was a significant difference of median scores for expectations among the different years of study ($p = 0.001$) however no significant difference of perception scores were found amongst the different years of study. ($p = 0.181$) **(Table 4.14).**

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Table 4.14: Comparison of median scores for expectations and perception with regards to years of study

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Year of study.	Independent-Samples Kruskal-Wallis Test	.001	Reject the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Year of study.	Independent-Samples Kruskal-Wallis Test	.181	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

There was a significant difference of median scores for expectations among the different years of study (p = 0.001) however no significant difference of perception scores were found amongst the different years of study. (p = 0.181).

The expectations of service quality, according to the year of study, had an impact on service quality whereas the perception of service quality portrayed no impact according to the year of study. Durdana and Zizak (2015:4 -5) reveals in their study that the student banking population is likely to be characterized by individuals who have a high bank switching rate, aggressive mobile usage and are prone to engage in self-service banking. In addition, Spero and Stone (2004: 154) further highlight that these individuals are highly involved in technological advancements and can increase the revenue for a specific retail branch. The group of participants probably showed a statistically significant difference in expectations for the different year of study because this age group (25 – 35 years old) has high expectations for their banking experience as they expect a retail bank that will cater for their technological, transactional and financial needs.

The participants in each level of study were different age groups ranging from 25 – 35 years and majority of these individuals had high expectancy rates. Perceptions dealt with personal bank interactions and showed no statistically different median scores. Therefore, the hypothesis relating to the distribution of expectation of service quality across the category of year of study is rejected.

Table 4.15: Comparison of median scores for expectations and perception with regards to the bank participants' bank with

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Expectation of service quality is the same across categories of Banking with.	Independent-Samples Kruskal-Wallis Test	.241	Retain the null hypothesis.
2	The distribution of Perception of service quality is the same across categories of Banking with.	Independent-Samples Kruskal-Wallis Test	.257	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

A comparison of the median scores for expectations and perceptions for types of banking the participants bank with, did not reveal any significant median difference (p>0.05) **(table 4.15).**

The traditional as well as the niche banks presented in the study highlighted no significant relationship to service quality. Coetzee and Tait (2013:16) assessed the perceptions of clients and staff personnel in South African retail banks and also found that there was no statistically significant relationship between the categories of banks according to the participants. The finding matches to previous studies conducted on perception and expectations‟ of service quality on South African retail banking.

Table 4.16: Spearman's rho correlation analysis between expectation and perceptions

			Expectation of service quality	Perception of service quality
Spearman's rho	Expectation of service quality	Correlation Coefficient	1.000	.356**
		Sig. (2-tailed)	.	.000
		N	165	165
	Perception of service quality	Correlation Coefficient	.356**	1.000
		Sig. (2-tailed)	.000	.
		N	165	165
**. Correlation is significant at the 0.01 level (2-tailed).				

Finally, Spearman''s Rho correlation analysis showed that there was a significant positive relationship that exists between the expectation scores and perception score (r = 0.356, p<0.05) **(Table 4.16).** Comrey and Lee (2007: 170) outline that when attempting to determine the relationship between two variables, researchers use Spearman''s rho to determine whether or not correlations exist between variables.

The Spearman''s Rho correlation analysis highlights that there is a relationship between expectations as well as the perceptions of service quality amongst the participants as the correlation is significant at the 0.01 level. The students who had a high expectation also had high perceptions regarding the service quality within retail banks.

4.17 Discussion: Research objectives

The preceding information presented relates to the discussions surrounding the objectives and hypotheses maintained in the study.

4.17.1 MBA student expectations: Service quality South African Retail Banks

Coetzee and Tait (2013:7) outline that the expectations a bank creates for their clients must be achievable in the long term and it should be understood that service quality gaps are mainly evident when the expectations of the client cannot be met by the real life perceptions. The student market presented for analysis in this research study have been characterized as a market that displays a predominantly large spending power as well as a market that is active in the job market and has a steady, stable income (Jones & Shandiz: 2015: 65). Based on reports such as the World Banking report (2013) as well as Price water house coopers annual survey report (2013), there is a discrepancy regarding the service quality expectations of the elderly as well as the young target market in the banking industry. The elder market (45+) displays a much slower urge to switch banks as they are content and are reluctant to change their financial service providers due to an already established relationship. However, in terms of objectives, the researcher has managed to assess the expectations of the student population in service quality and the level of study was the only demographic variable that had a statistically significant difference in the median score. Therefore Hypothesis 2 was not able to prove that there is a statistically significant difference in the expectation of service quality dimension across the level of study.

The MBA participants", aged from 25 years and onwards, have been characterized as individuals who boast a high spending power and have a high rating according to their cross selling and upselling opportunities within the retail banking sector. Johnston (1995:65) highlighted in his study that Parasuraman et al. (1988: 35) was of the opinion that the reliability service dimension was the most important dimension, followed by responsiveness, assurance as well as empathy. The tangibility service dimension was not viewed as the most important service dimension according to customers. The researcher agrees with the mentioned opinion to a fair extent because the highest ratings for expectations were recorded for the „assurance" as well as the „empathy" service dimensions. Perhaps, the MBA students value the core principle of client centricity as well as banking staff who exert a professional and well – trained demeanor more than the reliability and responsiveness of the retail banks. However, the „assurance" service dimension, as being viewed as one of the most important service dimensions, is evident in this research study. Okpara and Onuoha (2013:14) assert that one of the most critical factors that influence customers" in their choice of banks is the state of security. Banks

should highlight and market their security processes with their customers and target markets in an attempt to promote to customers" the safety and security of the retail banking sector. It is no doubt, therefore, that the MBA students expressed, through the assurance service quality dimension, that they held high expectations for safety and banking staff who instill confidence and trust within them as customers".

4.17.2 Assess the perceived quality of MBA students regarding service quality within South African Retail Banks

The second objective of the study aimed to seek the perceptions of MBA students regarding service quality within South African Retail Banks. The Hypothesis presented in table 4.12 that stated the distribution of perception was the same across all categories of race was rejected in this study. The remaining biographical data outlined that no statistically significant relationship existed. Spearman"s Rho Correlation table outlined that students that had a high expectation scoring also had a high perception scoring and that a relationship existed between the two variables of perception and expectation. Min and Khoon (2014:92) outlined numerous debates regarding the perceptions of service quality in retail banks and identified that researchers such as Ramez (2011:118) as well as Gupta and Bansal (2011:91) revealed that there were no statistically significant differences in service quality according to demographic variables and further highlighted that variables such as age, gender, level of study as well as race could rate the service quality dimensions of banks differently. The results, concerning perceived quality, correlated to that of previous research conducted in the retail banking sector.

4.17.3 To determine the gaps between perceived performance and expectations for Postgraduate students (MBA students) as a crucial market for the South African Retail Banking sector

The results measured the participants" service quality gaps (perception – expectation) and the results revealed that there was a statistically significant difference for the service dimensions „assurance" for the level of study across all MBA participants and the „empathy" gap was identified as a service quality gap across all the retail banks the participants banked with. The main principle of the SERVQUAL model is to identify potential gaps in an organization that have the potential to hinder service quality and in doing so, outline potential solutions/recommendations to eliminate the „gaps". The „assurance" as well as the „empathy" service quality gaps are two service quality

dimensions that have the themes of individual and personalized client interaction, bank staff that are well trained to be efficient and knowledgeable as well as the convenience of operating hours pertaining to retail banks.

Table 4.8 as well as Table 4.9 outlines the service quality gaps evident for expectations as well as perceptions for the MBA participants at UKZN. Min and Khoon (2014:101) outlined in their research study that the expectations as well as the perceptions for the different demographic groups were different, however, the relationship between perception as well as satisfaction revealed a strong and significant relationship at 100%. The results conveyed in this study merely show the positive and significant relationship between expectations and perceptions of the MBA students. The demographic variables, race and the level of study, differed towards the level of race as well as the year of study.

4.17.4 To introduce ways to improve the quality of service and banking experience for Postgraduate students (MBA students) who are considered important customers in the economic life cycle of retail banks.

The research study has outlined literature pertaining to service quality as well as the outline of the SERVQUAL model and the service dimensions. The outlined service quality gaps indicate an opportunity for retail banks to provide service that is of a high standing. In addition, product differentiation as well as pricing and marketing strategies will assist the retail banks in attracting and retaining a target market that will increase factors such as the financial standing as well as the reputation and corporate image of the retail bank. The following chapter highlights several recommendations from previous researchers and includes the researchers" practical recommendations to the study as well as the limitations of the study. The relevant service quality gaps identified in the research study will produce relevant recommendations to assist retail banks in providing service that is of high quality and of an immeasurable standard. Research scholars such as Choudry (2014:624) and Bagley et al. (2013:25-30) have provided stable recommendations for service quality pertaining to student retail banking. These recommendations can be used as potential benchmarks for future solutions that are clear, well defined and easy to implement.

4.17.5 Conclusion

Chapter Four provided a discussion and analysis of the result findings and also made reference to previous study conducted on the same or similar topic. The researcher made

reference to previous studies as well as literature in an attempt to provide a cross comparison of results. In addition, a discussion surrounding the research objectives and hypotheses was presented in this chapter. From the above results and interpretations, the data quantified allowed the researcher to provide crucial and practical recommendations for South African Retail Banks. Chapter Five introduces critical recommendations and solutions for retail banks regarding service quality. In addition, key insights into the benefits of the research as well as how the data answered the research questions is presented.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSION

5. Introduction

The essence of service quality lies in the excellence and execution of customer service as well as building loyalty amongst consumers/clients/employees in a service orientated environment. Chapter Four showcased the results pertaining to service quality gaps in the research and highlighted certain gaps evident in the biographical data as well as a comparison of the different hypotheses tested in the research study. The relevant service quality gaps outlined are seen as barriers in retail banking because of the fact that they prevent the population group from enjoying efficient and effective customer service. The recommendations that will follow will include a 360 degree involvement with branch staff, Human resources as well as the management teams of the retail banks in Southern Africa. Through an elimination of the gaps outlined in chapter four, retail banks will allow a seamless banking experience for the MBA students.

5.1 Has the data answered the research questions?

The data presented in chapter four has answered the research questions but has not found statistically significant differences in perceptions and expectations for demographic variables such as race and level of study. Statistical differences were found for the service quality perceptions regarding race and the hypothesis test highlighted that there was a service quality gap regarding the participants" year of study. In addition, service quality gaps were identified as assurance and empathy service dimensions.

The primary research objectives as outlined in Chapter four were achieved in this study. The points below emphasise how the conclusion is linked to the objectives:

Determining MBA student expectations about service quality of South African Retail Banks: Chapter four highlighted that the expectations of the student population in service quality were assessed by using a 5 point likert styled questionnaire and the only demographic variable that had a statistically significant difference in the median score was the level of study. It was found that the overall mean score was 4.50 with a standard deviation of 0.42. Hypothesis 2 of the research study was not able to prove that there is a statistically significant difference in the expectation of service quality dimension across

the level of study. The results of the SERVQUAL questionnaire for expectations revealed the following variations from highest to lowest: Tangibility (SD = 1.8 to 1.2); Reliability (SD = 0.6); Responsiveness (SD=0.6); Assurance (SD = 0.6) And Empathy (SD = 0.6). The results highlighted that the MBA students across South African retail banks had high expectations regarding the tangible aspects of the branch (staff that are well presented, articulate and knowledgeable and general pleasing aesthetics) as well as the convenience of the operating hours). The researcher contrasted the findings to the results of previous research studies.

Assess perceived quality of MBA students regarding service quality within South African retail banks: Chapter four highlighted that the perceptions of the MBA students were assessed by using a questionnaire comprising of 22 statements presented on a 5 point likert scale. Results conveyed that the overall mean score was 4.06 with a standard deviation of 0.55 which indicated that the MBA students (participants") perceptions regarding retail bank in South Africa was positive. It was found that the majority of the participants agreed or strongly agreed to almost all the statements presented in the questionnaire. The ranking of the variations in responses from the highest to the lowest showed the following for perceptions: My bank understands my specific banking needs (SD= 3.6); My bank has convenient operating hours (SD = 2.4); My bank has staff that tell their customers" when services will be performed (SD= 1.8) as well as my bank has professional staff who instill confidence in me (SD =1.2). The results further highlighted that the participants valued a bank that understood and respected their needs.

To determine gaps between perceived performance and expectations for Postgraduate students as a critical market for South African retail banking:
In a bid to assess the service quality gaps between perceived performance and expectations, the participants overall scores for expectations and perceptions were compared with socio-demographic variables and the Normality test showed that the overall scores for expectations and perceptions were not normally distributed.

The Kruskal-Wallis test was used to investigate the Gap analysis with regards to the age of the participants. The results found no significant difference in Gaps according to the participants" age.

A Kruskal – Wallis test was performed to investigate the service quality gaps between local and international students. There was no statistically significant difference in the tangibles, reliability, empathy as well as assurance dimensions ($p > 0.05$).

A Kruskal – Wallis test was performed to investigate the service quality gaps evident in the years of study for MBA students. There was no statistically significant difference in the years of study for MBA students ($p > 0.05$) however there was a statistically significant difference in the assurance dimension ($p < 0.05$).

The Kruskal – Wallis test was performed to investigate the service quality gaps regarding the different types of banks. There is no statistically significant difference amongst the banks but there is a statistically significant difference within the empathy dimension ($p < 0.05$).

The Mann-Whitney test was carried out to investigate the Gap analysis with regards to participants" gender. There was no significant difference in Gaps according to the participants" gender ($p > 0.05$).

The Kruskal – Wallis test was conducted to outline the gap analysis according to race. The results revealed no significant difference in gaps according to race ($p > 0.05$).

The Kruskal – Wallis test was performed to investigate the service quality gaps between local and international students. There was no statistically significant difference in the service dimensions ($p > 0.05$).

The Kruskal – Wallis test was done to outline the service quality gaps evident in the years of study for MBA students. There was no statistically significant difference in the years of study for the MBA students ($p > 0.05$) yet there was a statistically significant difference in the assurance dimension ($p < 0.05$).

The Kruskal – Waliis test was performed to highlight the service quality gaps regarding the different types of banks. There was no statistically significant difference amongst the banks but there was a statistically significant difference between the empathy dimension ($p < 0.05$).

5.2 Benefits of the Research

Assessing the perceptions and expectations of MBA Students on the service quality in retail banks in South Africa has provided a range of insights, and recommendations on the

stakeholders identified in the research. The contribution the study has made to the retail banking arena as well as the perceptions and expectations of an important client in the banking industry, namely the Postgraduate student, will allow for the banking industry to re look at their product offerings. The services directed to the particular market in a bid to enhance their product offerings will have an aggressive approach towards the Postgraduate student, who has displayed high expectations and perceptions for the service quality received within the retail banks. Outlined below are the benefits created for the stakeholders in the banking industry through this research study:

Product Suppliers: The product suppliers of the retail banks/ marketing departments will be able to gauge a further insight into the look and feel of the branch (tangibility) and see what can be further enhanced to create an environment that is modern looking, physically appealing as well as product brochures/websites that will be user friendly for this market.

Retail Banks: Retail banks will benefit from this research study because of the result findings that highlight the fault findings regarding service in the retail banks. Service quality findings such as the expected turnaround time for queries/ enquiries, the professionalism of the staff at the banks as well as the convenience of operating hours as well as the personalised attention expected from staff at the branch will assist the branch in attaining service quality excellence.

Shareholders: An effective service quality implementation in the bank will allow for an increase in NIR (net income revenue), which is a crucial target performance measurement for retail banks in South Africa (Okoe et al: 2013: 201). Shareholders can expect a healthy return on dividends.

Clients: The Postgraduate market will benefit greatly from this study because they will have access to an improved banking experience that is suitable and well catered for their banking and financial needs.

The study concentrated on the service quality of retail banks in Southern Africa and concentrated on traditional as well as niche banks. Each bank conveyed different results, yet the aim of the analysis was to identify commonalities surrounding service quality within retail banks. Based on the results of the analysis as well as the gaps identified, the following recommendations apply to each dimension. A three flow directive and action plan was included in the recommendations, namely the inclusion of Management, Human

resources as well as retail branch staff. The below paragraph highlights why this particular integration of retail branch staff, management team as well as human resources is significant and imperative for the retail bank industry in Southern Africa:

Human resource management: Human Resource management in an organisation is a strategic tool for client acquisition, building employee satisfaction as well as increasing client acquisition. The impact of human resource involvement in organisations has shifted from a traditional approach to a strategically – aligned human resource department that works closely within departments and has a presence in the workplace. The human resource department has the capability to refine and remould the workplace dynamics through interactive employee engagement, interdepartmental work force groups as well as promoting an environment in the retail banking industry that is fixated on service quality. However, the HR department cannot work in a silo but can only implement the true essence of customer loyalty through a close collaboration with the Management team.

Management Team: Branch Managers, Team Leaders, Area managers as well as regional managers but to name a few have the laborious task of managing and leading retail branches towards the desired sales targets as well as managing the day to day dynamics of the retail branch staff. Through their constant involvement within the branches as well as offering training designed towards executing service excellence, the desired service quality could be achieved amongst retail banks.

Retail Branch staff: The employees of an organisation are considered as the prime assets of the work place and retail branch staffs are the most important executors of service excellence because they are the people who are involved in the face to face conversations with new and existing clients in the retail bank sector. The retail branch staff can facilitate in the improvement of service quality within the branches and the true stem of service quality emerges from the retail branch team.

The SERVQUAL model is concerned with reducing the gaps within a service organisation in a bid to improve the level of service quality (Khan et al.: 2014: 113).

5.2.1 Short and medium recommendations for South African Retail Banks regarding service quality for MBA students

Branch Managers – Relationship Management Database supervision

Since the Postgraduate market is considered a key source of lucrative income for retail banks, the branch managers need to maintain a contact relationship management database that will outline the exact quantity of customers who are postgraduate students in their respective branches. The following database will be available to service consultants/bankers via channels such as the telemarketing portal, savings or current account reports or from leads generated from the customer care channels. The branch managers will co - ordinate the contact sheets to the bankers who will be required to regularly contact the postgraduate students to assess their financial portfolios/needs of the students as well as to cross sell products to this target market. The Relationship database management sheet will be in the form of an excel spread sheet that will outline the following:

- Name and Surname of Student
- Age
- University currently studying at
- Year of study
- Current product penetration and opportunities to cross sell
- Contact number
- Date to follow up for appointment

Through an identification of the year of study as well as the current product penetration, the respective branch will be able to identify possible trends amongst the different years of study and will be able to assess the expectations, financial needs as well as the perceptions amongst the students at different levels of study.

- **Service consultants/bankers: Relationship Management execution**

Once the relationship database management has been created by the branch manager, it will be handed to the staff that will be responsible for execution. The execution process involves calling the students from the database, arranging appointments, obtaining referrals from friends and families as well as selling/positioning the banks value proposition. Depending on the branch management team, the staff could call their

respective databases weekly or bi – weekly but the focus should be on aggressive contact management to gain client acquisition from the postgraduate market or to retain existing postgraduate students.

> ➢ **Branch activation: Branch and product awareness at Organisations**

The retail banks can attempt to be more involved in university awareness days as well as be actively involved with Human resource departments of other organisations in an attempt to do presentations at various organisations for product awareness. Retail banks can be involved strategically with human resources to be able to assist in account opening when recruitment for new graduate interns or existing senior professionals occurs.

5.3.3 Product training awareness campaigns

Retail banks should accommodate the postgraduate market by conducting product training awareness campaigns or networking sessions in designated areas outside the retail branch space. The product training awareness will include interactive sessions on mobile banking usage, internet banking demonstrations as well as the benefits of the banking products designed for the student market. Since the postgraduate market is a market that is strongly fixated on technological advancements as well as new and updated product features, these sessions will be to attract new clients to the retail branches as well as assist in outlining and identifying negative perceptions.

5.3.4 Short and medium term service quality gaps recommendations for South African retail banks: Assurance and Empathy service quality gaps

Assurance

- The management team of the retail banks (Branch managers, team leaders/Area managers) should encourage and motivate the retail branch staff by providing constant training at least twice a month on product training and branch processes to keep the staff constantly aware on industry happenings.

- The management team as well as the branch staff need to constantly communicate with the clients" on branch safety and being vigilant when making transactions near ATMS. There should be less reliance on mere advertising, but a more focused approach towards making client safety and security in the branch a form of normal

communication. A special focus should be centred on communicating the benefits and advantages of digital banking with the Postgraduate student market as they are well known to conduct their banking online on their Ipads or laptops.

- The branch staff can have fortnightly campaigns for clients on safety and security through telemarketing or regular client interactions within the branch. Portal smses or emails can be sent to the Postgraduate student market, only if the retail branch has gained confirmation from the select clients.

- The Management team must implement and drive personal behaviour for branch retail staff. Important factors such as a friendly smile and standing up to greet the client should be included in the service – sales processes of the branches. In addition, the retail branch staff must be measured on such sales processes and on the complementary behaviour that is required to provide customer service that is excellent.

- The management team should ensure that the retail branch staff have the relevant training and development in place to be able to answer difficult questions or legislative and regulatory related questions.

Empathy
- The products that are designed for the postgraduate market/MBA students should be personalised and specifically designed for a one on one interaction. Therefore, it is important that the branch staff as well as the management team engage in data mining regarding their clients" reports in order to promote the idea of private banking to the Postgraduate student market. Private banking will offer a more personalised and exclusive one on one interaction with the student market, who value the idea of personalisation in the banking retail sector.

- Retail Banks should maintain their operating hours that serve extended hours. The Postgraduate market/MBA students are working professionals who would value extended banking hours in order to perform their banking transactions or communicate about specific enquiries with their bankers.

- Retail branch staff should continue to analyse the student market"s specific banking needs by being consistent in completing mandatory forms such as the financial needs analysis. The needs analysis will uncover critical financial portfolio details such as credit affordability and current credit risk exposure, income and future financial goals. The student market will benefit from this because of the opportunity to cross sell and upsell by the retail branch staff as well as the opportunity for the banks to create new products that would cater for this market.

- Regular communication as well as complementary emails or simple reminders to do their taxes annually, birthday greetings, innovate ways to spend money or even suggestion boxes can aid the retail branch staff to maintain and create enduring relationships with the student market.

5.4 Develop strategies that are closely linked to the issue of service quality within the retail branch sector

5.4.1 (a) Introduce a culture of service quality and service excellence

The retail branch staff should be constantly motivated by the management team to portray a culture and image that is a representation of the bank as well as themselves as individuals. The theme of attaining service quality which would lead to service excellence should be communicated to the retail branch staff. Incentivisation methods such as extended time off, shopping vouchers or even holiday packages can be introduced by Human resource management and implemented in the branch space in an attempt to encourage and reward employees to perform and attract students as well as retain existing clients.

5.4.1 (b) Develop job profiling for retail branch staff

The job profiling that would be developed for the retail branch staff will mean that all the branch staff will be responsible for certain service quality dimensions and these jobs can rotate on a monthly basis. i.e. a small team of employees will be responsible for the tangibility of the branch (general housekeeping rules) and another small group of individuals will be responsible for the maintenance and security checks of error – free

records. Essentially speaking, it would be important for the retail branch staff to be held responsible for the cleanliness of the branch in order to maintain the branch look and feel.

5.4.2 (c) Identify and build strategic stakeholder relationships

The retail banks should integrate with their internal marketing department to co - ordinate networking sessions, gala dinners, presence at universities and employer inductions in an attempt to form relationships with key corporate companies, prominent and reputable public and private universities as well as host gala dinners and have formal sponsored network sessions to encourage new stakeholder relations for long term relationships.

5.4.3 (d) develop and maintain a customer relationship management system

The retail banks should have a database that is well maintained to include the total number of students in the retail bank as well as the total number of potential student clients that can be gained externally from leads/referrals.

5.5.1 Develop strategies that are linked to the telemarketing strategy: Client Acquisition and retention of the student market

5.5.1 (a) Develop telemarketing programs around the concept of service quality

- The retail branch staff as well as management needs to conduct relevant and up to date market research on their student market needs and desires in terms of banking. Regular service quality checks need to be planned and the retail branch staff needs to make sure that the branch presence is aggressive in outdoor marketing events.

- Regular telemarketing and relationship marketing to prospect clients as well as existing clients to identify opportunities for financial products that would appeal to the student market.

5.6 Limitations of the study

The study conveyed the following limitations:

- The study was only conducted at the University Of KwaZulu - Natal and would have had a greater impact should it had focused on other universities as well. In addition, only the MBA students were a key focus in this study. The study could

have included undergraduate students as well to assess and gain a more holistic view of the expectations and perceptions of service quality.

- Geographically the study was only conducted in Durban and the inclusion of other provinces/cities could have been included.

- The study that was conducted had a certain time frame and unfortunately, the whole MBA part time and block programme were not able to participate in the questionnaires that were administered.

5.7 Directions for future research

- The study only focused on MBA student perceptions and did not include undergraduate or even high school students to gain a holistic interpretation for this particular market segment. In addition, the research was confined to UKZN only and did not include other institutions. The reason for this is because the researcher is based in this place of study and province.

- Future research could accommodate a much larger segment as well as include other universities as well to produce a comparative analysis of the different universities as well as the different segmentation pertaining to undergraduate and postgraduate.

- Further areas of research could attempt to investigate why and how the student market chooses a certain retail bank and the motivating factors behind their decisions.

- Further research on the perceptions of students on the service quality of retail banking could be investigated. Further insight into whether different forms of marketing have an impact on service quality expectations and perceptions of clients – relationship marketing, direct mails, telemarketing.

5.8 Summary

The research highlighted critical key points in each chapter and formed a holistic presentation of the topic. The points below outline a summary of each chapter in the research:

Chapter one presented an introduction and a brief history of the banking legislation and service quality. In addition, the motivation as well as the focus of the study was presented by the researcher. The problem statement, research objectives, hypotheses, scope and contribution of the study as well as the limitations of the study served as the backbone of Chapter one.

Chapter two presented a variety of supporting arguments from literature surrounding the topic of service quality. The chapter provided opinions from researchers arguing about service quality, criticisms of the SERVQUAL model, the history of the banking legislation as well as the aspect of relationship marketing in South Africa and its parallel connection to postgraduate students.

Chapter three presented an analysis of the various data that was utilised in the study and provided a cross examination of the sampling design, target population as well as the reliability and the validity measurements. The chapter outlined important aspects such as the ethical concerns of the study, research methods followed as well as the reliability and validity of the data collated.

Chapter four presented the data collated in the form of descriptive and inferential statistics for the research. Statistical tests such as the Kruskal – Wallis test, Mann Whitney test as well as the Spearman Rho correlation test were utilised in order to test the hypotheses and outline if there was a statistically significant difference between expectations and perceptions. The Cronbach Alpha test was highlighted in order to test the reliability of the data.

 Chapter five presented brief recommendations as well as the benefits of the research. As the final chapter, the recommendations provided are a simple, practical guideline on the relationship management as well as the client acquisition tactics of the postgraduate market. Retail banks can either add or dismiss certain aspects of these recommendations based on their preferences and strategy.

This study attempted to investigate the perceptions and expectations of MBA students on the service quality of South African retail banks. The study adapted the SERVQUAL model as well as the Gaps model to the retail banking sector. The participants, students at the Graduate School of business and leadership, completed a manual questionnaire that was self - administered in the lecture rooms during lecturing hours. Based on the results that were obtained in the research, the service quality gaps identified were assurance across the levels of year of study and empathy was identified as a service quality gap across the retail banks the participants banked with. The statistical methods used and analysed non – parametric tests, namely the Kruskal – Wallis test, Mann Whitney test and the Spearman Rho‟s correlation test.

5.9 Conclusion

The recommendations provided for in this chapter all outlined practical solutions that can be done to improve the levels of service quality in retail banks across South Africa. In addition, implementing new and innovative ways to attract and retain the student market will prove to be beneficial for all the stakeholders involved as well as the financial viability of the bank as well. Improving the service quality of retail banks on South Africa will hopefully attract and retain the student market, which is a profitable and crucial market to attract in a bid to sustain and increase the financial viability and profitability of the market as well. Investigating the expectations as well as the perceptions of such a market will allow the retail branches to be creative in product differentiation and pricing strategies in order to remain competitive in this aggressive industry.

Service quality is a factor in business that can uncover numerous issues that have hindered productivity as well as potential factors that have caused numerous businesses to fail. Through a thorough investigation of perceptions and expectations, businesses such as retail banks will hopefully, in the future, eliminate or minimise client complaints and potential discrepancies that can hinder fruitful relationships between stakeholders and clients. The research presented will hopefully create, or motivate, a banking experience for the student market that is fixated on client – centricity, deep and meaningful financial relationships as well as a strong level of trust between new and existing clients.

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05 May 2015

Ms Mbalenhle Bhengu (206511188)
Graduate School of Business & Leadership
Westville Campus

Dear Ms Bhengu,

Protocol reference number: HSS/0412/015M
Project title: Investigating service quality perceptions of MBA students: A case study on South African Retail Banks

Full Approval – Expedited Application

With regards to your application received on 20 April 2015. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

....
Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr Vannie Naidoo
Cc Academic Leader Research: Dr M Hoque
Cc School Administrator: Ms Zarina Bullyraj

DECLARATION OF CONSENT

PROJECT TITLE: Investigating service quality perceptions of MBA students: A case study on South African Retail Banks

RESEARCHER

Full Name: Mbali Bhengu

School: GSB&L

College: Humanities

Campus: Westville

Proposed Qualification: MBA

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College: Humanities

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HSSREC RESEARCH OFFICE

Full Name: Mariette Snyman
HSS Research Office
Govan Bheki Building
Westville Campus
Contact: 0312608350
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I am Mbalenhle Bhengu, Student no. 206511188 an MBA student, at the Graduate School of Business, at the University of Kwazulu Natal. You are invited to participate in a research project entitled: **Investigating the service quality perceptions of MBA students: A case study on South African Retail Banks.** The aim of the study is to investigate the perceptions and expectations of MBA students on the service quality of South African Retail Banks in an attempt to accommodate postgraduate students as a critical market for the economic lifecycle of the banking industry.

Through your participation, I hope to understand your perceptions and expectations of the service quality of South African Retail Banks. I guarantee that your responses will not be identified with you personally. Your participation is voluntary and there is no penalty if you do not participate in the study. Please sign on the dotted line to show that you have read and understood the contents of this letter. The questionnaire will take approximately 20 minutes to complete.

DECLARATION OF CONSENT

I _____ (Full name) hereby confirm that I have read and understood the contents of this letter and the nature of the research project has been clearly defined prior to participating in this research project.

I understand that I am at liberty to withdraw from the project at any time should I so desire.

Participant's signature

Date

SECTION A: DEMOGRAPHICS

Please provide only ONE option per question below in the space provided:

1. What is your age?

< 20	
21 - 30	
31 - 40	
41 – 50	

1. What gender are you?

Male	
Female	

2. What is your race?

Black		White		Indian		Coloured	

3. Are you a?

Local student	
International student	

4. Which year of MBA study are you in?

1st year	
2nd year	
3rd year	

5. Which bank are you banking with? (Please choose 1 bank which is your primary bank)

ABSA	
Standard Bank	
Capitec Bank	
First National Bank	
Nedbank	
Investec	
Other (Please specify)	

The following 22 statements will analyse what you think an excellent bank should do for you.

TANGIBILITY

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
1. An excellent bank has modern looking equipment.	1	2	3	4	5
2. An excellent bank has appealing physical facilities.	1	2	3	4	5
3. An excellent bank has neat, well presented staff.	1	2	3	4	5
4. An excellent bank has visually appealing brochures, pamphlets and websites.	1	2	3	4	5

RELIABILITY

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
5. An excellent bank has staff that keeps their promises.	1	2	3	4	5
6. An excellent bank has sincere interest in solving customers' problems.	1	2	3	4	5
7. An excellent bank has staff that perform the right services within a good time frame.	1	2	3	4	5
8. An excellent bank insists on keeping error free records.	1	2	3	4	5
9. An excellent bank has staff performing services right the first time.	1	2	3	4	5

RESPONSIVENESS

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
10. An excellent bank has staff that tell their customers' exactly when services will be performed.	1	2	3	4	5
11. An excellent bank performs prompt services.	1	2	3	4	5
12. An excellent bank has staff that are willing to assist.	1	2	3	4	5
13. An excellent bank has staff that give prompt response to queries.	1	2	3	4	5

ASSURANCE

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
14. An excellent bank has professional staff who instil confidence in customers.	1	2	3	4	5
15. An excellent bank provides an environment where customers' feel safe in their transactions.	1	2	3	4	5
16. An excellent bank has staff that are friendly, well-mannered and courteous.	1	2	3	4	5
17. An excellent bank has staff that have knowledge and expertise to answer questions.	1	2	3	4	5

EMPATHY

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
18. An excellent bank has staff that give individual attention.	1	2	3	4	5
19. An excellent bank has convenient operating hours.	1	2	3	4	5

20. An excellent bank has staff that keep their customers' best interests at heart.	1	2	3	4	5
21. An excellent bank understands the specific needs of customers.	1	2	3	4	5
22. An excellent bank has staff that give personal attention to clients during the service encounter.	1	2	3	4	5

Please turn over

The following 22 statements will analyse what you think your primary bank should do for you.

TANGIBILITY

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
1. My bank has modern looking equipment.	1	2	3	4	5
2. My bank has appealing physical facilities.	1	2	3	4	5
3. My bank has neat, well presented staff.	1	2	3	4	5
4. My bank has visually appealing brochures and pamphlets.	1	2	3	4	5

RELIABILITY

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
5. My bank has staff that keeps their promises.	1	2	3	4	5
6. My bank has sincere interest in solving customers' problems.	1	2	3	4	5
7. My bank has staff that perform the right services within a good time frame.	1	2	3	4	5
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RESPONSIVENESS

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10. My bank has staff that tell their customers' exactly when services will be performed.	1	2	3	4	5
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12. My bank has staff that are willing to assist me.	1	2	3	4	5
13. My bank has staff that give prompt response to my queries.	1	2	3	4	5

ASSURANCE

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
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EMPATHY

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18. My bank has staff that give me individual attention.	1	2	3	4	5
19. My bank has convenient operating hours.	1	2	3	4	5
20. My bank has staff that keep my best interests at heart.	1	2	3	4	5
21. My bank understands my specific banking needs.	1	2	3	4	5
22. My bank has staff that give me personal attention during the service encounters.	1	2	3	4	5

END OF QUESTIONNAIRE

THANK YOU FOR PARTICIPATING