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Original Scientific Paper

## CLIENT EXPECTATIONS AND PREFERENCES FOR SERVICE QUALITY DIMENSIONS IN BANK SERVICES IN REPUBLIC OF NORTH MACEDONIA

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### Abstract

This paper includes an in-depth analysis of the banking service quality with detailed tracking of the elements of customer expectations from banking services in the Republic of North Macedonia. The aim of this paper is to identify the level of client expectations for bank services, determining the essential dimensions that would cause satisfactory banking services. In total 330 bank customers were surveyed for this research, while a modified questionnaire for banking attributes was used. Customer expectations are measured using the SERVQUAL model, where 22 items as part of 5 dimensions are considered the research variables. Through analyzing the data, it was confirmed that the expectations for the Banking service quality in the Republic of North Macedonia are very high, with an average value of 6.53 measured with a seven-point Likert scale. According to the results obtained from the research based on the priorities of the clients for the 5 quality dimensions, Reliability was chosen as the most important dimension of the banking services. From the results of the examined relationship between Reliability as a dimension (dependent variable) and the five characteristics of banks services (independent variables) the following was found: The strongest impact on Reliability as a dimension are the ability of the bank to perform the promised services safely and accurately, then the knowledge and courtesy of bank employees and the ability to provide trust, the appearance of the bank's physical facilities, equipment, employees and communication materials, the care, individual attention that the bank offers to its customers, while the weakest variable is the impact of the bank's readiness to help customers and provide them with fast service.

**Keywords:** Expectations, Service quality, Dimensions, Satisfaction, Banking,

### 1. Introduction

In any type of business, business to customer, customer satisfaction is the ultimate goal and often for ambitious managers the main question becomes - what does the customer really expect? This may be due to the fact that many organizations do not really know what is happening to customers and what are the factors that cause satisfaction therefore lose their customers. If we follow Parasuraman et al. (1988), which suggests that researches must focus on expectations because satisfaction is presented as a function of the expected service ES and perceptions of the service PS and it is shown as:  $PS > ES$ , or  $PS - ES > 0$ : causes satisfaction;  $PS < ES$ , or  $PS - ES < 0$ : causes dissatisfaction;  $PS = ES$ , or  $PS - ES = 0$ : causes pleasure.

This research focuses on identifying the key dimensions of customer expectations as part of facing the quality of service as the main driver of satisfaction for the banking sector in the Republic of North Macedonia. Quantitative research is also used to study the relationship between the dimensions proposed by Parasuraman et al. (1988) which today are considered as key indicators of service quality (insurance, empathy, reliability, responsibility and tangibles), measuring customer expectations for banking services. Hence, this study seeks to determine the importance of the dimensions of service quality in banks in the Republic of North Macedonia. The motivation for this study stems from the fact that there is a lack of any useful tool to predict and assess the quality of banking services and allow bankers to have a set of dimensions that will help them retain customers. The scientific contribution of this research consists in the preparation of an in-depth

analysis of the expectations of the quality of the banking services with detailed monitoring of the elements of the clients' expectations. This information will also help bankers discover the most sensitive but also less important dimensions that are the main causes of the discrepancy between the expected and the offered service before promised by the bank. In the research panels it is well known that one of the main tasks of managers is to identify customer expectations for banking services and the most important dimensions of service quality when creating a marketing strategy. According to Zeithaml et al. (1988) 5 gaps appear as a consequence of the inaccurate definition of the signs that cause GAP-1. The authors of the model confirm that the lack of proper marketing research, poor and vague vertical communication and many levels of management can cause difficulties in closing the GAP-1. Managers remove GAP-1, while they discover the customer expectations, and turn those expectations into service quality specifications. The following paragraphs provide a concrete overview of the objectives and tasks of this study.

## 2. Literature review

Following the procedure of Churchill (1979) and Parasuraman et al. (1988) for developing an instrument for measuring service quality, Avkiran (1994) introduced the utilitarian multidimensional instrument BANKSERV to measure customers' perceptions of retail banks regarding service quality. In order to accommodate this instrument for banking services, Avkiran (1994) and Parasuraman et al. (1988) used the SERVQUAL scale as a starting point and then directed the measures by adding questions drawn from a specially conducted qualitative study of bank services. BANKSERV consists of 4 dimensions and 17 questions, which are used to measure the quality of the bank's services.

These are the following dimensions:

1. The behavior of the staff represents a way of bringing the services by the bank staff and their presentation in order to enable the clients to form a positive or negative image of the bank. Subdivisions of staff behavior include the desire to help, staff diligence, greeting, expressing genuine concern, politeness, a neat appearance, and apologizing for mistakes.
2. Credibility is a relationship of trust between bank staff and customers. It consists of constantly informing the customers by the staff, correcting the mistakes made by the staff and a sense of security among the clients during the process of receiving the services.
3. Communication represents a verbal and written communication between bank staff and customers. The sub-dimensional attributes in communication are the knowledge of the staff of the services and products offered by the bank, helping the clients to learn how to reduce the costs, the quality of the counseling, informing the clients about the time of the service.

The research conducted by the Canadian banking system reveals six dimensions of service quality, such as reliability, tangibles, approach, reliability, effectiveness and a portfolio of services. Data reliability ranges from 0.78 to 0.96. The study included 115 customers of the bank, 31 questions and a seven-point Likert scale (Bahia and Nantel, 2000). According to Newman (2001), the analysis and implementation of the SERVQUAL instrument in major UK banks has reinforced the idea that "fulfillment of promise" is essential to the quality of services. While SERVQUAL focuses on "soft" dimensions, such as empathy and reliability, they are well-suited to the Service Marketing Community, and its findings suggest that effective delivery of difficult factors is a prerequisite for overall service quality. "Where difficult qualities, especially Reliability in providing services, are low, then 'soft' qualities cannot compensate." Similarly, Lassar et al (2000) in a survey of clients in private banks found a much stronger link between technical quality and satisfaction, than the functional quality and satisfaction. The quality of the services provided by

the bank is related to the satisfaction of the clients and is assessed by the dissatisfaction and satisfaction of the service provided by the bank over time. The perceived quality of the service has a positive effect on customer satisfaction. Previous research has found that perceived service quality affects customer satisfaction in four service sectors. The six-dimensional scale for evaluating the quality of banking services was developed by Bahia and Nantel (2000) from the original ten dimensions proposed by Parasuraman et al. (1985). The six dimensions were reliability, tangibles, approach, effectiveness and reliability, service delivery and pricing. The use of SERVQUAL in Islamic banking reveals six dimensions. The modified version of SERVQUAL based on three dimensions, for example empathy, tangibles and human skills, was proposed by Jabnoun and Al-Tamimi Bei and Chiao (2006), which also report on the positive impact of perceived quality of services on three service providers, such as a gas station, car service and banking. A significant correlation was found between general customer satisfaction and service quality dimensions (Aldaigam and Buttle, 2002).

### 3. Data and Methodology

Dimensions proposed by Parasuraman et al.(1988) are the key dimensions evaluated in 330 surveyed banking customers. To evaluate the five dimensions, 22 questions have been modified to be used in banking. We used the five dimensions of service quality (Tangibel, Reliability, responsibility, assurance and empathy). Consumers in banks have been asked to indicate their own level of agreement on 22 questions related to their expectations for banking services, using a seven-point Likert scale. We used direct contact with randomly selected customers from the Republic of North Macedonia. When processing the data, we obtained the following results: The following methods were used by the methodological instruments: the data analysis was performed in statistical programs Statistica 7.1 and SPSS 17.0 for Windows and the following methods were used: descriptive statistics were developed in numerical notation series ( Descriptive Statistics - Mean; Std. Deviation;  $\pm$  95.00% CI; Minimum; Maximum, The consistency between the points (properties) of the five dimensions of the service quality questionnaire is determined by the preparation of Reliability Statistics - Krombach alpha / Total score / Mean score; The relationship between the five dimensions of the SERVQUAL questionnaire and the characteristics of banks and the services they offer is analyzed by Multiple Regression (R);The overall expected quality of services when it comes to customer expectations from the bank is determined based on the answers to 22 questions of the SERVQUAL / Section expectations questionnaire.

The total Cronbach's Alpha = 0.93 is extremely high and indicates a very strong consistency between the answers to the 22 questions that make up the overall quality of services (Table 3.1.).

**Table 3.1.**Consistency between the answers to the twenty-two points which make up the overall expected quality of service

Cronbach's Alpha	No. of items
,931	22

Source: Authors' calculation

Table 3.2 shows the descriptive statistics of the values of the 22 questions that make up the overall quality of services. Table 3.3 shows the corrected values of the total Cronbach's Alpha for each item of the overall quality of services, as well as the value of Cronbach's Alpha in case it is necessary to delete the rating of a certain item from the questionnaire, when assessing the internal

consistency of a rating with composites results from all other points of the overall quality of services.

**Table.3.2** Descriptive statistics of the values of the twenty-two points that presents the expected quality of services

Items	Mean	Std. Deviation	N
TA <sup>1</sup> 1The bank should have the latest technology	6,46	1,131	329
TA2The bank's physical facilities should be visually attractive	6,07	1,305	329
TA3Bank employees must be professionally prepared	6,69	,754	329
TA4The materials in the bank should be visually attractive	6,22	1,147	329
RL <sup>2</sup> 1The bank must keep its promises in a timely manner	6,70	,775	329
RL2Bank employees need to be prone to solving customer problems	6,61	,874	329
RL3The bank should perform its services immediately	6,54	,848	329
RL4The bank should deliver its services on time	6,60	,846	329
RL5The bank should provide free error records	6,53	,956	329
RN <sup>3</sup> 1The bank should tell customers exactly when their services will be performed	6,56	,839	329
RN2Bank employees need to provide fast service	6,62	,792	329
RN3Bank employees should always be prepared to help customers	6,67	,726	329
RN4Bank employees should never be too busy to respond to customer requests	6,34	1,067	329
AS <sup>4</sup> 1The behavior of bank employees should ensure customer confidence	6,62	,792	329
AS2Customers in the bank should feel safe in all their transactions	6,75	,615	329
AS3Bank employees should be constantly kind to customers	6,61	,785	329
AS4 Bank employees need to have the knowledge to answer customer questions	6,67	,775	329
EM <sup>5</sup> 1The bank should provide individual attention to all customers	6,54	,830	329
EM2The working hours of the bank should be convenient for all customers	6,37	1,089	329
EM3Bank employees should pay special attention to their customers	6,51	,904	329
EM4The bank should primarily take care of the interests of customers	6,56	,885	329
EM5Bank employees need to understand the specific needs of customers	6,51	,941	329

Source: Authors' calculation

<sup>1</sup> TA – Tangibles

<sup>2</sup>RL – Reliability

<sup>3</sup>RE – Responsiveness

<sup>4</sup>AS – Assurance

<sup>5</sup>EM – Empathy

**Table.3.3** The internal consistency of an assessment with the composite results from all other points of the expected quality of services

Expectations by Dimensions	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TA1 The bank should have the latest technology	137,30	146,320	,565	,929
TA2 The bank's physical facilities should be visually attractive	137,69	143,745	,563	,930
TA3 Bank employees must be professionally prepared	137,07	151,160	,611	,928
TA4 The materials in the bank should be visually attractive	137,53	146,042	,567	,929
RL1 The bank must keep its promises in a timely manner	137,05	151,284	,587	,928
RL2 Bank employees need to be prone to solving customer problems	137,15	149,304	,609	,928
RL3 The bank should perform its services immediately	137,21	149,711	,609	,928
RL4 The bank should deliver its services on time	137,15	148,934	,650	,927
RL5 The bank should provide free error records	137,23	149,196	,554	,929
RN1 The bank should tell customers exactly when their services will be performed	137,20	148,488	,678	,927
RN2 Bank employees should provide fast service	137,14	151,350	,569	,928
RN3 Bank employees should always be prepared to help customers	137,09	152,428	,564	,929
RN4 Bank employees should never be too busy to respond to customer requests	137,42	147,452	,558	,929
AS1 The behavior of bank employees should ensure customer confidence	137,14	151,460	,563	,928
AS2 Customers in the bank should feel safe in all their transactions	137,01	153,180	,624	,928
AS3 Bank employees should be constantly kind to customers	137,14	150,269	,633	,927
AS4 Bank employees need to have the knowledge to answer customer questions	137,09	150,007	,656	,927
EM1 The bank should provide individual attention to all customers	137,22	149,354	,642	,927
EM2 The working hours of the bank should be convenient for all customers	137,39	144,982	,644	,927
EM3 Bank employees should pay special attention to their customers	137,25	147,107	,690	,926
EM4 The bank should primarily take care of the interests of customers	137,19	148,535	,637	,927
EM5 Bank employees need to understand the specific needs of customers	137,24	149,099	,569	,928

Source: Authors' calculation

Table 3.4 shows the descriptive statistics of the values of the 22 points that make up the overall expected quality of services.

**Table 3.4** Scale Statistics

Mean	Variance	Std. Deviation	N of Items
143,76	163,063	12,770	22

Source: Authors' calculation

Table 3.5 shows the descriptive statistics of the Total score, as well as the mean value (mean score) of the points from the overall expected quality of services.

The total score varies in the interval  $143,77 \pm 12,75$ ;  $\pm 95,00\%$  CI: 142,39-145,15; the minimum value is 78 and the maximum value is 154.

The average value varies in the interval  $6,53 \pm 0,58$ ;  $\pm 95,00\%$  CI: 6,47-6,60; the minimum value is 3,55 and the maximum value is 7.

**Table.3.5** Overall Service Quality Expectation - Total score & Mean score

OSQ	Valid N	Mean	Confidence -95,00%	Confidence +95,00%	Minimum	Maximum	Std.Dev.
Total score	330	143,77	142,39	145,15	78,00	154,00	12,75
Mean score	330	6,53	6,47	6,60	3,55	7,00	0,58

Source: Authors' calculation

To identify the importance of each dimension to customers' expectations, we used a research tool that required consumers to allocate 100 points in five categories (dimension properties) based on the importance of each category. These categories are: *The layout of physical objects and conditions, equipment, personnel and communication material; the ability of the bank to perform the services it has promised reliably and accurately; the bank's desire to help customers and provide fast service; the knowledge and kindness of employees and their ability to provide the confidence and individualized and caring attention that the bank gives to consumers*. The points allocated for the layout of the bank's physical facilities, equipment, personnel and communication materials vary in the interval  $21,64 \pm 12,72$  points,  $\pm 95,00\%$  CI: 20,26 – 23,02; minimum points allocated are 0, maximum - 80 points.

The points allocated for the ability of the bank to perform the promised services certainly and accurately vary in the interval  $22,68 \pm 10,39$  points,  $\pm 95,00\%$  CI: 21,55 – 23,80; the minimum allocated points are 0, and the maximum - 70 points.

For the bank's willingness to help customers and provide them with fast service, the points vary in the range of  $19,33 \pm 8,93$  points,  $\pm 95,00\%$  CI: 18,36 – 20,29; minimum allocated points are 0, maximum - 70 points.

Points relating to the knowledge and courtesy of bank employees and the ability to provide confidence vary in the interval  $18,70 \pm 9,70$  points,  $\pm 95,00\%$  CI: 17,74 – 19,84; the minimum allocated points are 0, and the maximum - 100 points.

For care, the individual attention that the bank offers to its clients, the points vary in the interval  $17,50 \pm 8,73$  points,  $\pm 95,00\%$  CI: 16,55 – 18,45; the minimum allocated points are 0, and the maximum - 50 points.

**Table 3.6** Ranking of dimensions based on customer preferences

Characteristics	Valid N	Mean	Confidence -95,00%	Confidence +95,00	Minimum	Maximum	Std.Dev.
physical facilities and conditions, equipment, personnel and communication material	330	21,64	20,26	23,02	0,00	80,00	12,72
the ability of the bank to perform the services it has promised reliably and accurately; the desire	330	22,68	21,55	23,80	0,00	70,00	10,39
The bank's willingness to help customers and provide fast service	330	19,33	18,36	20,29	0,00	70,00	8,93
the knowledge and kindness of employees and their ability to provide trust and individualization	330	18,79	17,74	19,84	0,00	100,00	9,70
and the individualized and caring attention that the bank gives to consumers	330	17,50	16,55	18,45	0,00	50,00	8,73

Source: Authors' calculation

The results of the examined relationship between Reliability as a dimension (dependent variable / Reliability is the most important attribute required by consumers) and the five characteristics of banks and the services they offer as independent variables are given in Table 3.7

For  $R = 0,16$  and  $p > 0,05$  ( $p = 0,13$ ) a weak insignificant correlation was found.

The biggest impact on *Reliability as a dimension* is *the ability of the bank to perform the promised services safely and accurately* (Beta = 0,32), then *the knowledge and courtesy of bank employees and the ability to provide trust* (Beta = 0,30), and *the appearance of the bank's physical facilities, equipment, personnel and communication materials* (Beta = 0,23), *the care, individual attention that the bank offers to its customers* (Beta = 0,15), and the weakest is the impact of *the bank's readiness to help customers and provide them with fast service* (Beta = 0,13).

It follows that increasing *the Bank's Reliability to perform the promised services reliably and accurately* per unit value will increase the value of *Reliability as a dimension* for 0,02 units ( $\beta = 0,02$ ), insignificant by  $p > 0,05$  ( $p = 0,26$ ), at unchanged values of other characteristics.

With increasing *knowledge and courtesy of bank employees and the ability to provide confidence* in unit value, and the value of *Reliability as a dimension* increases by 0,02 units ( $\beta = 0,02$ ), insignificantly by  $p > 0,05$  ( $p = 0,25$ ), when the values of the other characteristics have not changed.

If the value of *the appearance of the physical objects of the bank, equipment, personnel and communication materials* increases by one unit, then the value of *Reliability as a dimension* will

increase by 0,01 units ( $\beta = 0,01$ ), insignificant for  $p > 0,05$  ( $p = 0,50$ ) at unchanged values of other characteristics.

The increase in *care, the individual attention that the bank offers to its customers* for unit value also affects the increase in the value of *Reliability as a dimension* for 0,01 units ( $\beta = 0,01$ ), insignificant for  $p > 0,05$  ( $p = 0,54$ ), again when the values of the other characteristics have not changed.

When raising *the bank's willingness to help customers and provide them with a quick service* for unit value, the value of *Reliability as a dimension* increases by 0,01 units ( $\beta = 0,01$ ), insignificantly for  $p > 0,05$  ( $p = 0,58$ ), at unchanged values of other characteristics.

**Table 3.7** Reliability / Bank characteristics

R= 0,16; F(5,324)=1,72 p=0,13						
Characteristics	Beta $\beta$	Standard error from $\beta$	Beta $\beta$	Standard error from $\beta$	t(324)	p-level
intercept			5,15	1,71	3,02	0,003
appearance	0,23	0,34	0,01	0,02	0,67	0,50
ability	0,32	0,29	0,02	0,02	1,12	0,26
readiness	0,13	0,24	0,01	0,02	0,55	0,58
knowledge	0,30	0,26	0,02	0,02	1,15	0,25
care	0,15	0,24	0,01	0,02	0,62	0,54

Source: Authors' calculation

#### 4. Conclusions

If we follow (Parasuraman et al., 1985), the status or prestige of the organization is determined by the quality of the services provided. The organization that offers high level services has a highly competitive position. When the organizations achieve high level of service quality, they at the same time satisfy consumers' expectations by meeting their needs, and achieve a competitive advantage. Overall, researches confirm that there is a strong relationship when the consumers receive high service quality, resulting into a positive behavior or attitude towards the organization and strengthening the relationship between them. The most important criteria of the organization to reach customer satisfaction is to provide service quality by meeting their expectations, resulting into a source of consumer loyalty for the organization. If banks want to gain a competitive advantage, they should follow the theories of the Gap model for service quality and focus on discovering customer expectations as the most important dimensions of service quality. In the



Republic of North Macedonia expectations are very high with an average value of 6,53 measured on a seven-point Likert scale. According to the results obtained from the evaluation of the dimensions based on the priority for the clients, the Reliability is the most important dimension of the quality of the banking services in the country. The results of the examined relationship between Reliability as a dimension (dependent variable and the five characteristics of banks as independent variables), was found. The strongest impact on Reliability as a dimension is the ability of the bank to perform the promised services safely and accurately, then the knowledge and courtesy of bank employees and the ability to provide trust, the appearance of the bank's physical facilities, equipment, personnel and communication materials, the care, individual attention that the bank offers to its customers, while the weakest is the impact of the bank's readiness to help customers and provide them with fast service.

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