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# The Effects of the Service Quality Dimensions on Customer Satisfaction and Customer Loyalty: The Experience Of the Paphos Cooperative Bank In Cyprus

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**The Effects of the Service Quality Dimensions on Customer Satisfaction and Customer Loyalty: The Experience Of the Paphos Cooperative Bank In Cyprus**

**By**

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**MASTER IN BUSINESS ADMINISTRATION THESIS**

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## Table of Contents

<b>I List of Figures</b> .....	<b>5</b>
<b>II List of Tables</b> .....	<b>5</b>
<b>III List of Charts</b> .....	<b>5</b>
<b>Acknowledgements</b> .....	<b>6</b>
<b>Abstract</b> .....	<b>7</b>
<b>1. Introduction</b> .....	<b>7</b>
1.1 Objectives and Aim of the Study .....	8
<b>2. Literature Review</b> .....	<b>10</b>
2.1 Service definition.....	10
2.2 Service Characteristics.....	11
2.3 Service Quality.....	15
2.4 The Servqual Model.....	18
2.4.1 The Quality Gaps .....	20
2.4.2 Limitations – Arguments about Servqual Model.....	22
2.5 Customer Satisfaction .....	24
2.6 Loyalty .....	27
<b>3. Methodology</b> .....	<b>30</b>
3.1 Research Subjects.....	30
3.2 Analytical Procedure .....	31
3.3 Questionnaire Breakdown and Coding.....	31
3.4 Ethical Considerations .....	32
<b>4. Findings/Results and Hypothesis Testing</b> .....	<b>33</b>
4.1 Sample and Response Rate .....	33
4.2 Descriptive Statistics.....	33
4.3 Factor Analysis.....	37
4.4 Reliability .....	43
4.5 Correlation and Hypothesis Testing .....	44
4.6 Perceptions - Expectations Gap.....	47
<b>5. Discussion</b> .....	<b>49</b>
<b>6. Conclusions</b> .....	<b>54</b>
6.1 Practical Implications.....	56
6.2 Limitation and future research suggestions .....	57
<b>References</b> .....	<b>58</b>

<b>Appendix .....</b>	<b>64</b>
Appendix I - English Questionnaire .....	64
Appendix II - Greek Questionnaire .....	71
Appendix III - Coding of Research Data .....	78
Appendix IV - Questionnaire Breakdown .....	80
Appendix V - Charts of Descriptive Statistics.....	83

## I List of Figures

Figure 1: Customers Expectation levels and Zone of Tolerance (Zeithaml et al., 1993, p. 5)	16
Figure 2: The Behavioral and Financial Consequences of Service Quality (Zeithaml et al., 1996, p. 33).....	17
Figure 3: Service Quality Model (Parasuraman et al., 1985 p. 44) .....	22
Figure 4: Theoretical Framework (Lau et al., 2013, p. 270) .....	30

## II List of Tables

Table 1: Descriptive Statistics of the Sample .....	34
Table 2: Rotated Component Matrix Varimax – Expectation Items .....	40
Table 3: Rotated Component Matrix Varimax – Perception items .....	42
Table 4: Component Matrix – Customer Satisfaction .....	42
Table 5: Component Matrix – Customer Loyalty .....	43
Table 6: Communalities – Loyalty Items .....	43
Table 7: Components Cronbach Alpha Values .....	44
Table 8: Means, standard deviations and correlations coefficient estimates for Tangibles, Reliability, Responsiveness, Assurance, Empathy, Satisfaction and Loyalty. ....	46
Table 9: Quality Dimensions Mean Values and P-E Differences .....	48
Table 10: Coding of Research Data ( Parasuraman et al. 1988; Ladhari 2009; Blery et al. 2009).....	79

## III List of Charts

Chart 1: Group Age of the Sample .....	35
Chart 2: Occupation of the Sample .....	35
Chart 3: Monthly Income of the Sample .....	36
Chart 4: Family Status of the Sample.....	37
Chart 5: Quality Dimensions Mean Values .....	48
Chart 6: P-E Gap Scores.....	49

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## **Abstract**

The aim of this study is to reveal the level of service quality in Cooperative Bank of Paphos and identify the effects and relationships the service quality has on customer satisfaction and customer loyalty. The study also aims to expose the possible gaps and omissions in the performance of the service and suggest ways for improvement. The research questionnaire was developed using the Servqual method that measures customers' expectations and perceptions to define the level of quality through its five dimensions. Customer satisfaction and loyalty are also measured by the questionnaire. The sample consists of 100 bank customers who volunteered to participate in the study. The results indicated that the overall service quality of Paphos Coop Bank is at a fairly high level and that at least three quality dimensions of the Servqual model, Assurance, Reliability and Responsiveness are very important to the Bank's customers. Although Empathy and Tangibility contribute to the overall quality perception, are found to be less important to customers. The study also revealed that the service quality level has a significant effect on the customers satisfaction and customer loyalty. Measuring the service quality in Paphos Coop Bank and examining its effects and relationships with other key aspects of the business, produced valuable information that can be used to improve the Bank's competitive advantage.

## **1. Introduction**

It is widely acknowledged that the global economy is going through a recession as a result of the financial crisis that hit the world economies in 2007. Banking institutions found themselves struggling for survival in an aggressive competitive environment. Especially in Europe many banks have suffered from low liquidity and capital inadequacy as a result of the economic downturn and the high volume of non-performing loans that were created. These factors drove many banks in merges and acquisitions and set to restructure their former policies and strategies that put them in this hazardous position. The Cyprus banking system had to withstand an appalling decision forced by the Troika (European Central Bank, European Commission and International Monetary Fund) in order to be rescued which led in the loss of the clients deposits over €100 000 in the two largest banks . This shocked the banking system of Cyprus and customers trust was abolished overnight. In this new challenging business environment Cyprus banks are competing to retain their customers and earn their trust again by offering high quality services that creates



customer satisfaction and improves loyalty. This was also verified by Bloomer, Leo and Pascal (1998) who found in their research that customer loyalty in a bank was affected by the perceived service quality, the mental image and customer satisfaction.

Quality in every service or product is an essential element for the success of the business itself. Quality creates positive feelings to the customer and empowers the relationship with the provider. This relationship is enhanced by the consistent high level of quality that the provider offers, creating thus customer satisfaction towards the specific service. A satisfied customer will use the same service in the future and he will recommend this to his friends and family. Poor service quality on the other hand, will raise costs, reduce sales, loss existing and potential clients to competition and generate negative word-of-mouth (Parasuraman, Zeithaml and Berry, 1985).

As service quality has an important role to every business success, this study aims to measure the level of service quality in Paphos Coop Bank using the Servqual model. In addition, the perceived level of service quality will be evaluated in order to improve customers satisfaction and customers loyalty. An in-depth review of the best-known and relative literature will be presented in this study with specific attention to service quality,(e.g. Servqual model), customer satisfaction, customer loyalty and the existing interrelationships among them that were found in previous studies. This study will conclude with suggestions and practical implications for improving service quality in Paphos Coop Bank. Recommendations for future studies will also be presented.

### **1.1 Objectives and Aim of the Study**

After the bail-in decision in 2013 the banking sector in Cyprus was changed radically. The two larger banks of the island were merged in one and a restructuring plan was imposed for the Co-Operative sector as a whole in order to receive financial support and recapitalization. The customer's trust was lost as they never expected to pay for the mistakes and bad investments decisions of the banks. This created an environment of mistrust, anger and disbelief towards the banking sector. Under this environment Paphos Coop Bank is also changing procedures, approaches, and techniques in order to comply with the European Central Bank regulations and supervision.

At the same time is also vital to keep the human – centric approach that had for more than one hundred years and offer high quality services in order to maintain its existing

customers, lower its costs for attracting new customers, and thus maximize its profitability (Berry, Zeithaml and Parasuraman, 1990).

This study aims to research the level of service quality of Paphos Coop Bank by using the SERVQUAL Model that was developed from Parasuraman et al. (1988). As Paphos Coop Bank had a major merge and restructuring in 2013, the need to measure its service quality is more than essential at present as this will demonstrate what customers believe about the provided service level. Measuring the gap among the customers' expectations and perceptions will identify gaps and omissions in the service process. Thus, possible bottlenecks can be avoided in order to provide a better quality service to customers and by extension to all Paphos Coop Bank stakeholders.

In addition, this study is targeting to explore the relationship between the five dimensions of service quality (tangibility, responsiveness, reliability, assurance, empathy) with customer satisfaction and customer loyalty.

The objectives of the study are:

- To measure the expected and the perceived quality of service in Paphos Coop Bank and discover possible gaps and omissions.

The level of customers' expectations will identify which of the five dimensions are more important to them and what service they expect to receive from Paphos Coop Bank. The customers' perceptions on the performed service will reveal the actual quality level that it is provided and the scale of the gap between perceptions and expectations. By analyzing the five dimensions we can suggest specific corrective actions that could lead to better quality services.

- To evaluate the effects of customers perceived quality on customers' satisfaction and loyalty. To define the link of customer satisfaction with customer loyalty.

The relationship of the five dimensions of service quality and thus the overall perceived quality with the level of customer satisfaction will be presented and analyzed. Then the relationship of customer satisfaction and customer loyalty will be researched in order to discover any indirect effects of perceived service quality to customer loyalty using customer satisfaction as a mediator.

- To identify any shortcomings in the provided service and make suggestions to Coop Bank for improving the service quality.

The analysis of customers' expectations and the level of service quality expressed as the gap of the perceptions minus expectations, will unearth the source of any problems that may be found and why high quality service may not be performed. By separating the service quality in the five dimensions of the Servqual Model (Tangibles, Reliability, Responsiveness, Assurance and Empathy), will help us focus on the real source of the problems and safely suggest direct and targeted solutions for improving quality. This will add value to the study as practical managerial implications will be proposed.

To measure the level of service quality we have used the Servqual model that was developed by Parasuraman, Zeithaml and Berry in 1988, which compares the customers perceptions for the provided service with their expectations in order to discover the gap between the two. In order to collect data from a wide range of customers, the questionnaire was constructed in English and in the Greek language. One hundred questionnaires were collected at random from the bank's customers, which were subsequently analyzed by IBM SPSS Statistical 20.

## **2. Literature Review**

The literature review will be presented in order to understand the researched context and facilitate the construction of the theoretical framework that will support the hypotheses of the study. The review starts from the description of what is defined as a service and its distinctive characteristics. The service quality concept is discussed in detail in order to realize how customers define the levels of the provided service and their zone of tolerance. A review of the Servqual model follows, with reference on its five dimensions and the limitations and arguments that were expressed by other researches from time to time. The literature review ends with the analysis of customer satisfaction and customer loyalty, the presentation of the hypotheses and the theoretical framework of the current study.

### **2.1 Service definition**

Service is an activity that is provided by a company to a customer in order for the latter to satisfy a need. Service does not include any tangible substances itself but

usually is being supported by tangibles that accompany the service. In retail banking services, tangibles like technology, employees, equipment and buildings accompany and assist the provision of the service, but the banking service is actually intangible (Omarini, 2015). Furthermore there is a concurrent production and consumption of the service. Many authors like Gronroos (1990), Lovelock (2001) and Kotler and Armstrong (1991) have tried to define what a service actually is, and each of them has given its own perspective to the definition. For example, Gronroos (1990, p. 46) gave the following definition “A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”. An additional good definition is the one given by Lovelock (2001, p. 3) which states that “A service is an act or performance offered by one party to another that creates value and provides benefits for customers at specific times and places as a result of bringing about a desired change in – or on behalf of – the recipient of the service”. Moreover, Kotler and Armstrong (1991, p. 45) stated “A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.

Despite the various definitions from different authors, the service is admitted to have some distinguished characteristics that are generally accepted by main stream literature. These characteristics are intangibility, inseparability, perishability and heterogeneity which are briefly presented in the following section.

## **2.2 Service Characteristics**

### ***Intangibility***

Services are characterized by intangibility as these cannot be touched, tasted, smelled or seen, in contrast with products that are tangible objects and offer customers all these possibilities. In addition, services are value creating performances, deeds or actions that lack physical existence which makes it impossible for companies to keep inventories and difficult for customers to evaluate it before they buy it (Fisk, Stephen and Joby 2013; Zeithaml and Bitner, 1996). Although intangibility describes all services, these can carry a different amount of intangibility which are characterized

as high intangible or low intangible services. Services like restaurants and hotels that accompany their service with many tangible components such as chairs, equipment and staff belong to the low intangible services. The low intangibility in these services does not affect buyers behavior in an important way. High intangible services are considered to be more abstract and impalpable which are not accompanied by supporting tangibles. This category includes doctor's advice, counseling by a psychiatrist or legal services. In these services buyers uncertainty and perceived risk is greater ( Verma, 2012, p. 39-41).

These particular features of services is what brings hardships to service companies as they need to calculate when and how much demand will have in a particular time of the day in order to better serve their clients. As over and under staffing a position results in significant costs to a company, accurate forecasting and work allocation is essential in any service oriented business. Intangibility creates difficulties to customers as they cannot evaluate or inspect services before they buy it. Usually, customers are depending on previous buyer's feedback, word of mouth and expectations created by companies through advertising and communication channels. Companies knowing this are encouraging their buyers to write their reviews and leave feedbacks, so other potential buyers will have the opportunity to minimize the risk of the unknown by getting this information. Inherent of intangibility is also the fact that companies cannot patent their service process which makes them vulnerable to imitations by competitors and new entrants'.

### ***Inseparability***

The majority of services are produced and consumed simultaneously and most of the times, the customer is part of the production process. The inseparable character of services usually demands for the consumer to visit the providers' premises in order to receive the demanded service. Take for example a bank client visiting a bank or a citizen going to the tax office to pay its taxes. In other cases, the provider of the service is visiting the premises of customer like in the case of an electrician going to the house of its client. Inseparability creates problems to marketers especially in market expansion cases where service providers must have service production units that offer the same service quality standards in each location. In order to tackle this issue, some organizations introduced new technologies such as cheque, credit card,

telebanking and ATM facilities which minimized direct interactions of employees and customers (Rao, 2011, p. 9).

“Frequently the service customer is an important co-producer of the service rendered. Through provision of information and performance of specific tasks, customers help create the very product they consume. The nature and excellence of the service product are partially determined by the customer’s cooperativeness and ability to direct or participate in the production process” (Fisk et al., 2013, p. 10). As the presence of the customer is mandatory in order to produce the service, the employees must evaluate and adjust their behavior accordingly in order to satisfy the customer in front of them in the best possible way. This requires adaptability, good knowledge of the company, and interpersonal skills on behalf of the employees while at the same time the company must adequately support them with proper training, equipment and guidelines.

### ***Perishability***

As services are characterized by intangibility and inseparability, perishability derives from these as services cannot be stored neither can be produced without the presence of the customer. As service companies cannot keep inventories for their high demand hours, the service capacity that is available during the day without the existence of the necessary demand in order to produce the service and furthermore revenue for the company, it goes wasted on standby. A good example is when a restaurant is opened and prepared to serve people for lunch on a week day, but is serving only one or two tables. With all of its servicing and kitchen staff available to provide for a full restaurant this service capacity is perished as it cannot be stored for a peak hour of the restaurant. The same applies for retail banking services where branches open early in the morning waiting for customers to come in to be served and demand fluctuates during the day. In the period that demand is low the excess service capacity cannot be stored in order to be used when the bank is full of customers waiting in line and so the service is perished when customers are not there to co-produced it.

As Fisk et al. (2013, p. 11) said “the opportunity to generate revenue from a service performance disappears when some of the service provider’s production capacity is not used during the service enactment.” Perishability generates many supply and demand problems and managers of services companies must think creative ways of

solving these. Reservations, pricing incentives, part-time employees, and family-hours are some of the solutions that are being employed by the managers in order to better allocate demand in non-peak hours and successfully utilize their supply capacity in order to minimize perishability. Bhattacharya (2006, p. 251) suggests that the lost opportunities that are caused by perishability in services can be overcome by over-marketing, managing demand and managing supply. In order to overcome the problems of perishability Srinivasan (2014, p. 14) recommends using E- Services where possible, by quantization, the ability to search and the ability to automate. Quantization permits the breaking down of services into components parts which facilitates the mass customization. For example a restaurant can offer the room accommodation with breakfast and dinner for one price. Search can ease the collection of the sought information and automation will enable the replacement of tasks (where possible) of human labor with machines.

### ***Heterogeneity***

Srinivasan (2014, p. 3) defines heterogeneity as “ the difficulty in applying quality standards for identical services”. As employees that are offering the requested services are different individuals with diverse characters, values and attitudes, the service quality that each one of them is offering is quite different from the others. In fact, the service offering from a single employee can vary even during the day following the changes in the mood of the employee. In addition, the inseparability feature of services that makes services consumed while they are produced, allows very limited opportunities for correcting the mistakes and omissions before it ends up to the customer (Fisk et al., 2013). Unlike products that are checked and pass through quality controls before delivered to the consumers, services special characteristics do not allow earlier quality controls and therefore companies reputation and brand name depends on the employee’s variable outputs that are affected by its mood, experience and knowledge. Customer’s role is also important to the quality of services as by their approach, good communication and specific demands can either help for achieving better service quality or create obstacles to it. Since different clients have different demands and expectation of the service process, and since the same company offers different levels of services, heterogeneity is therefore created (Zeithaml and Bitner, 2003). Vema (2012, p. 463) supports that “heterogeneity of a product can kill a brand.



Service heterogeneity must be checked and controlled by employing various mechanisms. Employee training and controls can standardize employee performance”.

### 2.3 Service Quality

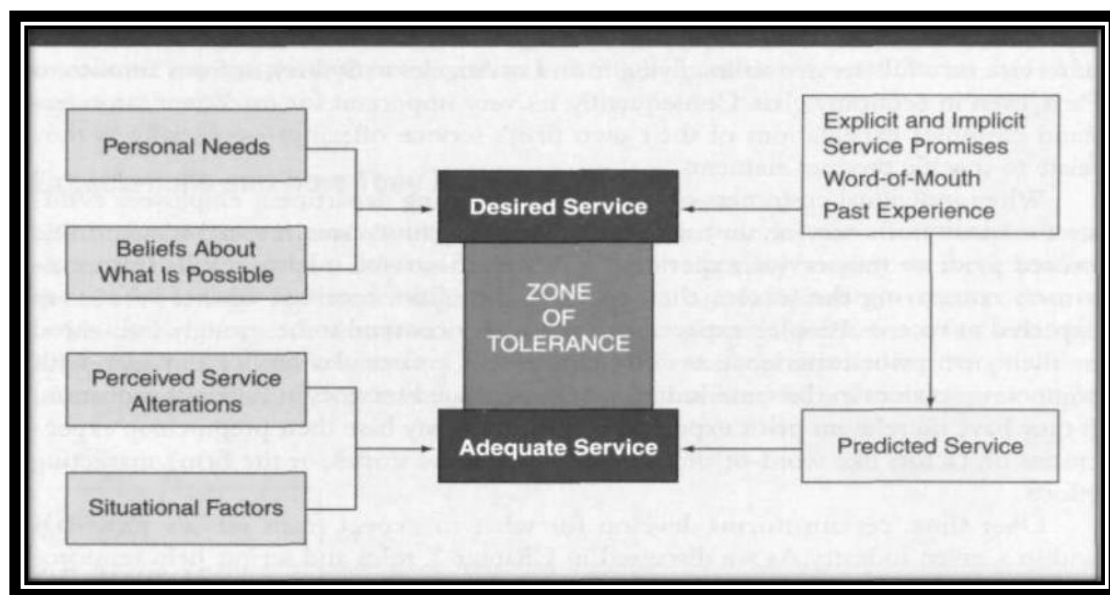
Customers before using a service create an image of the specific service and form expectations from it. This is what the customers would expect from a service before they use it and these expectations set the individual quality standards of each customer on how he would like to receive the specific service. On the other hand when the service is completed, the customer evaluates the whole process and performance of the service and forms the perceived image of the service. The comparison of the expected and the perceived service is what defines service quality for each individual. “Service quality, as perceived by consumers, stems from a comparison of what they feel service firms should offer (i.e., from their expectations) with their perceptions of the performance of firms providing the services” (Parasuraman et al., 1988, p. 16).

When a company wants to ensure a good level of service quality then it must strive to meet or exceed what their customers expect from its services. In a banking-services focus group, a male respondent described the frustration he felt when his bank would not cash his payroll check from a nationally known employer because it was postdated by one day. When somebody else from the group informed him that the bank was legally restrained to do this, then he said that nobody in the bank had explained this to him. To his eyes the bank was seen as unwilling to help him rather than being unable from the law to help him. This has created a perception of poor service quality from the bank which was caused by the lack of explanation. In another case, a female respondent who had a broken appliance fixed by a technician who informed what went wrong and what to do if the same thing occurs in the future, she felt that the perceived service exceeded her expectations and rated this service as excellent (Zeithaml et al., 2010).

In another study, Zeithaml et al. (1993) distinct two levels of expectations by customers. This includes at the first level the desired service that the customer hopes to receive, which these hopes are formed by the beliefs of what the provider can and should deliver. The second level of expectations which is lower than the first is the tolerable service the customer can accept. This is also the lowest service level a



business can deliver to its clients' in order to satisfy their basic needs. At the middle of these two levels the zone of tolerance is found, which is where a company can provide its service quality that will meet its customers' expectations. A graphical representation can be seen in Figure 1. Even though companies that are operating within the zone of tolerance will probably enjoy a competitive advantage, this must not pacify them but on the contrary it must motivate them in improving their service quality to surpass customers' expectations and the desired service level. "To develop a true customer franchise—unwavering customer loyalty— firms must exceed not only the adequate service level but also the desired service level"(Zeithaml et al., 1996, p. 35).



**Figure 1: Customers Expectation levels and Zone of Tolerance (Zeithaml et al., 1993, p. 5)**

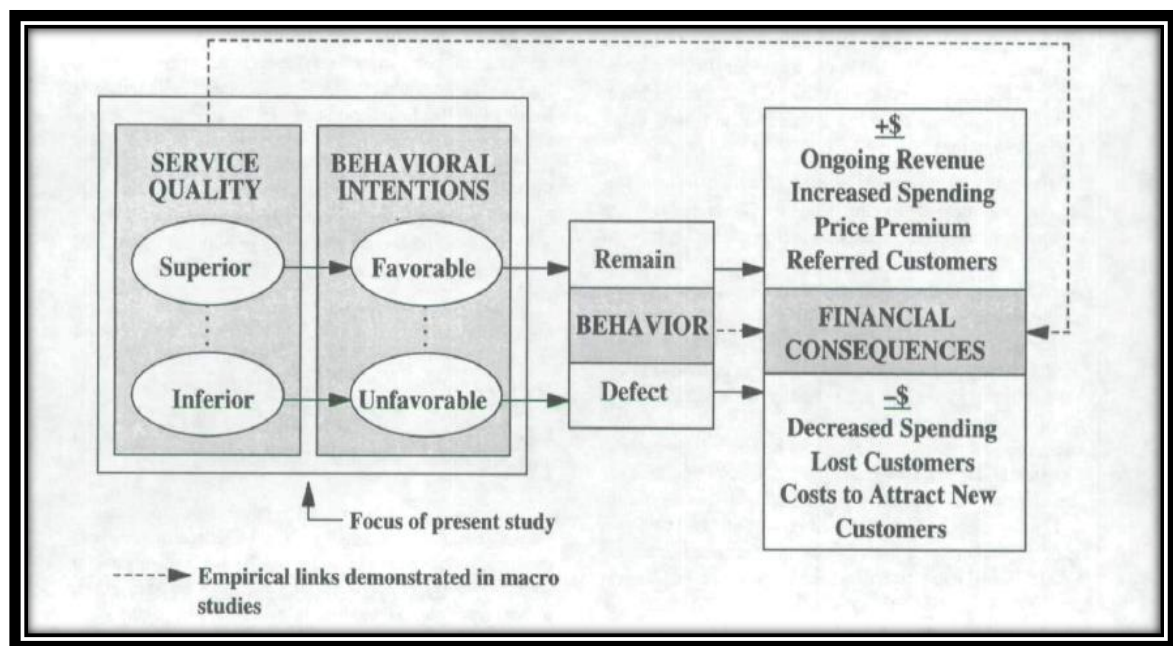
The previously mentioned definition of service quality leads to the conclusion that the key for a company to achieve high quality services or to take steps for improvements, is to focus on its customers and let them define the quality they need and expect to receive. If a company commences quality improvements that do not add value for its customers then this will be a bad investment of corporate funds (Lovelock 2001, p. 264).

Companies that consistently provide high quality services enjoy the benefits of it which are (Zeithaml et al., 1996):

- Loyalty and higher retention of customers

- Increasing business from existing customers
- Augmented positive word of mouth communication
- More Opportunities to charge premium prices
- Reduced cost of corrective actions as things are done right the first time
- Enhanced employee confidence and satisfaction that results in low levels of employee turnover

A graphical illustration of the behavioral and financial benefits of service quality can be seen in Figure 2.



**Figure 2: The Behavioral and Financial Consequences of Service Quality (Zeithaml et al., 1996, p. 33)**

The analysis of what is defined as a service and what are its distinguished characteristics together with the analysis of what is considered a quality service in the eyes of customers have set the foundations in which the Servqual model was based upon. Particularly, the service quality notion that customers have specific expectations from each service before this is performed and delivered, and which affects the overall level of quality and the perception of it, is from the most important concepts of the Servqual model that will be reviewed afterwards.

## 2.4 The Servqual Model

Servqual model is a research instrument that was developed in 1988 by Parasuraman, Valerie Zeithaml and Leonard Berry in an effort to measure service quality by focusing on the difference (gap) of customers' expectations with the actual service experience, the perceived service. If expectations (E) are greater than perceptions (P), then customers are receiving lower service quality than what they expect and obviously there is negative perception of the service quality. If perceptions are higher than expectations then customers are receiving more than they expect which is a sign of a positive quality of service. In order to effectively measure service quality Servqual is assessing five dimensions that are used by consumers to evaluate a service and are affecting their perceptions. The five dimensions are tangibles, reliability, responsiveness, assurance and empathy which are explained below (Parasuraman et al., 1988).

### *Tangibles*

Are the substances used by the provider of the service and usually these includes its physical facilities, equipment and the appearance of its personnel which helps the consumers create an image of the provided service (Parasuraman et al., 1988). In retail banking tangibles are an important dimension to service quality as comfortable store layout, modern equipment and professional employees facilitates the interaction of customer – employee that can increase customer satisfaction (Lau et al., 2013). Tangibles are the physical representation of the service offer that symbolizes the existence and character of service industries (Bhattacharya, 2006 ). As tangibles in a company can include various objects like architecture, design, layout, desks, lighting, brochures and the appearance of the company's employees, it therefore separates the tangible dimension of Servqual in two dimensions. The first dimension it focuses in equipment and facilities and the second on personnel and communication materials (Hoffman and Bateson, 2011, p. 328). "Tangibles serve as clues for the service that is invisible and help the consumers to grasp various aspects of the service. Particularly tangible cues help in assessing the quality of the service provided" (Rao, 2011, p. 260).

### ***Reliability***

Reliability is defined as the ability of the service provider to perform the promised service in a dependable and accurate manner (Parasuraman et al., 1988). “Reliability dimension reflects the consistency and dependability of a firm’s performance (Hoffman and Bateman, 2011, p. 329). This dimension is related to companies issues such as billing customers accurately, keeping accurate records, keeping their promises towards their customers and delivering the service right the first time. Moreover, it also relates to issues of quality consistency by maintaining the same level of service from times to times without any radically variations. The Reliability dimension is rated as the most important of the five quality dimensions, according to several studies that have used the Servqual model (Hoffman and Bateman, 2011). For a retail bank, the ability to provide accurate and error free services in a high security environment is vital and necessary in order to establish confidence and trust to its customers (Lau et al., 2013).

### ***Responsiveness***

Responsiveness is the willingness to help customers and provide prompt service (Parasuraman et al., 1988). The ability of the bank to inform customers exactly when services will be performed and the attitude of the employees towards the customer for a prompt and eager provision are linked with responsiveness. Responsiveness relates to actions such as sending mailing information or transaction details immediately, returning customers phone calls in the promised time and offer quick service on customers’ requirements (Gilmore, 2003, p. 15) . Kapoor, Paul and Halder (2011, p. 154) suggested that “it is not the lack of quality that alienates the customer as much as the unresponsive attitude does. The organizations must build the culture of quicker and timely response, an attitude of helping the customer and listening to his grievances need to be established at all levels of customer handling.”

### ***Assurance***

This is linked to the knowledge and courtesy of employees and their ability to inspire trust and confidence (Parasuraman et al., 1988). Furthermore, the company’s employees must treat their customers in a polite and friendly way and with consideration. This will enhance the feeling of security of the customers and it will

remove the risk and danger from the intangible service offered by a company (Srinivasan, 2014). Bank employees, especially the front line ones, must have a broad knowledge of several banking products and be in a position to answer at any question their customers might have. This will fill them with credibility and will earn the respect and trust of the customers that they will be reassured that their investments are taken cared by professionals.

### *Empathy*

Refers to the caring, individualized attention the firm provides its customers (Parasuraman et al., 1988). In addition, “a service firm should have the ability to experience a customer’s feelings as its own. Empathetic firms understand customer needs and make their services acceptable to their customers” (Srinivasa, 2014, p. 125). Bank employees that can relate and understand their customer’s problems and concerns can easier empathized and show understanding. This promotes personal attention and friendly customer service which is something that clients favour at their banking transactions and will encourage them to use the bank again (Lau et al., 2013, p. 267). Interactivity, customization and personalization are also related to Empathy dimension that affects service quality. For example, Amazon.com offers a quality of interaction and personalization that rivals traditional brick-and-mortar businesses (Srinivasa, 2014). Of course, high tech and high touch technology that will support speeding up the service processes and make the delivery efficient must not be at the cost of reducing emotions like empathy, customer care and personal touch. If this happens, then service companies would be found to be isolating the market (Bhattacharya, 2006, p. 476).

#### **2.4.1 The Quality Gaps**

As mentioned above, the Servqual model is focused in the gap that exists among the customers’ expectations and customer’s perception for a service. Parasuraman et al. (1985, p. 44) recognizes five gaps that are found in an organization. These gaps need to be addressed in order to meet customer needs. The gaps, as shown in Figure 3, are:

- **Gap 1:** Discrepancy of consumer expectations and management perception of consumer expectations. This refers to the difference of what customers actually expect and what the managers of the company believe that customers expect.

- **Gap 2:** Discrepancy of management perception of consumer expectations with the translation of perceptions into service quality specifications.
- **Gap 3:** Discrepancy of the translated service quality specifications and the actual product delivered.
- **Gap 4:** Discrepancy of the actual product delivered, and the external communication with consumers. This is the difference between the advertised/communicated service and the actual service delivery. Some firms may create over expectations to consumers when advertising their services.
- **Gap 5:** Discrepancy of customers' expectations with perceived quality. This is the gap that Servqual model is based upon, and it examines the difference of perceived and expected quality of customers.

One important observation is that the gap 5 which measures the difference of customers expected and perceived quality is simultaneously being affected and determined by the magnitude and direction of the previous gaps. For example if the gap 1 is high, where this will mean that management does not understand what their consumers really expect from the services, then the development and performance of the specific service will be wrongly oriented and there will be a big gap (No: 5) between what customers expect and what they actually perceive. The same will apply if in gap 4 the company through its communication generate high expectations to customers but the actual service does not meet those expectations that were communicated.

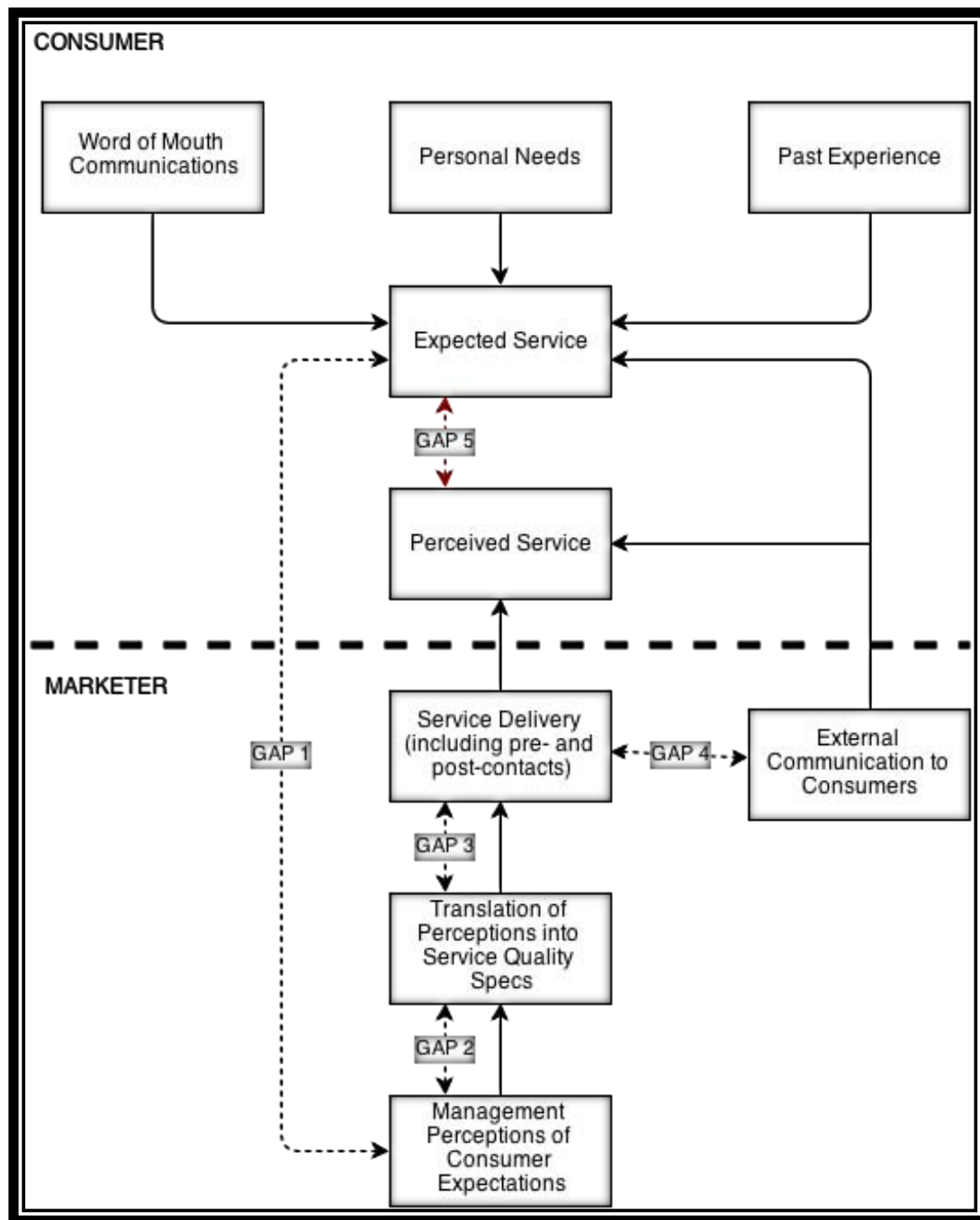


Figure 3: Service Quality Model (Parasuraman et al., 1985 p. 44)

#### 2.4.2 Limitations – Arguments about Servqual Model

While Servqual model is broadly accepted and used in many service quality researches, it also has its drawbacks and many authors have expressed their arguments for it. Parasuraman et al., (1988, p. 31) stated that Servqual is limited to current or past customers of the company but even within these constraints Servqual can be used for a variety of potential applications. Lam and Woo (1997) found that the



SERVQUAL scale was not persistent over time which revealed minor correlation after retesting the scores. Even though customers' expectation scores stayed fairly stable over time, the perception items presented to be instable even after one week of test-retest intermission. Gronroos (1990) argued that SERVQUAL emphasizes mostly on the process of service delivery and less (if at all) on the results of the service performance eliminating in this way the technical quality dimensions which customers might not have the knowledge to assess and depend on other quality attributes such as empathy and reliability to define the outcome of service. Cronin and Taylor (1992), recommended that a performance based measure of service quality will offer an enhanced instrument of measurement and that servqual dimensions were not suitable for universal application while different industries may appear discrepancies in the scale items. Babakus and Boller (1992) believed that no further contribution was possible by the use of gap scores and supported that the perception part of Servqual comprised all the necessary information to effectively assess service quality.

Some of these limitations might have a small impact on the findings of the study , but it is anticipated that the general trend of the results will depict the true intentions of the surveyed customers. For example, Lam and Woo (1997) argued that the results are not persistent and have minor correlations even after re-testing within one week. This minor instability is normal and it is expected as one of services main characteristics is heterogeneity. As clients have dissimilar demands and expectations from the service process (even the same client's demands and expectations change from time to time) and as the company's diverse employees offer different levels of service (Zeithaml and Bitner, 2003), these minor instabilities in customers perceptions are completely justified. The limitation that Gronroos is referring and in which he suggest that customers might not have the knowledge to assess the technical quality of service process will not have an impact in this study as the bank's technical equipment, facilities and technology that customers are asked about, are simple and easy to realized by them. Furthermore, we support Cronin and Taylor's (1992) statement in that Servqual dimensions are not suitable for universal application (generalizability cannot be assumed), as Servqual model was tested in various service industries such as retail banking, long distance telephony, appliance repair and maintenance, securities brokerage and credit cards in which proved its applicability. Lastly, we



believe that this study will not be impacted by the limitation described by Babakus and Boller (1992), as we believe that the expectations part of Servqual model is essential in putting the customers in a position to evaluate the service from the scope of what they expect and what they actually receive from it.

Despite the criticism that Servqual model was given it endured in time and still remains an easy to use instrument for measuring service quality. The flexibility of Servqual and its universal adaptability to measure customers' expectations and perceptions without the use of any other instrument, is what it made it such a popular tool used by a large number of managers in various service industries such as banking, retail, tourism, health, hotel and almost in any service industry.

## **2.5 Customer Satisfaction**

“Customer satisfaction depends on the product’s perceived performance relative to a buyer’s expectations. If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted” (Kotler and Armstrong, 2012, p. 13). A customer determines his satisfaction by summarizing several components from distinct sources of the consumed service or product that includes service quality, features, price, personal and situational factors. Consumers’ expectations is the key for providing satisfaction as having predetermined standards when choosing a service, compare the perceived service performance after their purchase and decide accordingly if these expectations have been met, exceeded or failed to reach. If the perceived service is better than expected then result is positive disconfirmation, if it fails to meet their expectations then they conclude to negative disconfirmation and if it is what they expected then the result is confirmation (Lovelock, 2001). Meeting or exceeding initial expectations should lead to satisfaction while failing to meet the expected performance will create dissatisfaction. Customer satisfaction conclusions are linked with numerous attitudinal and behavioral propensities toward the chosen brand that play a vital role for every business (Breivik and Thorbjornsen, 2008).

“Smart companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing marketing partners and “customer

evangelists” who spread the word about their good experiences to others” (Kotler and Armstrong, 2012, p. 13). Customer satisfaction and buyer retention are generally considered among the most important long term objectives of firms (Cooil et al., 2007). Satisfied consumers are further expected to purchase again, or at least, consider repurchasing again than those who are dissatisfied by the service experience (Kotler, 1977). Thus, satisfied customers’ help companies maximize their customer retention rates and lessen customer defections which are crucial strategic objectives for maintaining and increasing their market share through customer relationship management (Ching et al., 2004).

Furthermore, satisfied customers is proven that spread positive word-of-mouth communication and become a walking advertising for the company that pleased them. In this way, companies are finding a way to reduce their cost for attracting new customers. Professional service companies are deeply affected on positive recommendations from their existing clients that are satisfied by their services, as potential new clients looking for high attributed services such as banks, legal, accounting and consulting always search for positive tested feedback before choosing (DeMatos and Rossi, 2008; Lovelock, 2001).

Moreover a company by keeping satisfied customers it develops a special relationship with them and creates a series of historic satisfaction level which is important when defections to the service occurs, as customers tend to be more forgiving as they have in mind the historic relationship that was built in the past. In addition to this relationship, customers tend to be more reluctant to competition offerings as they are not willing to leave the certainty and tested quality for the risk of being failed by the unknown (Lovelock, 2001).

Aggregating all the above mentioned information the link among high level of service quality and customer satisfaction can be easily assumed. This link was also noted in several research studies that were undertaken in different times by various authors. In their research examining the relationships among service quality, customer satisfaction and positive word of mouth in restaurants, Kim et al. (2009) found that there were positive effects of service quality on customer satisfaction which was also linked with positive effect on word of mouth references. Shemwell et al. (1998, p. 163) developed a conceptual model in health care services in Turkey to research how

service quality and customer satisfaction is linked to relationship oriented outcomes. The authors found that improvements in service quality of the provided health care services could produce higher levels of customer satisfaction. These were linked with fewer complaints, emotional bonding of customer and employee providing the service and finally future interpersonal relationships with customers that enhanced profitability.

Lau et al. (2013) found that the five Servqual dimensions are significant predictors of HSBC Bank customers' satisfaction with empathy having the least importance in their minds. Naik et al. (2010) in their study "Service Quality (Servqual) and its Effect on Customer Satisfaction in Retailing" also found that service quality and the five dimensions of Servqual in retail units have positive impact and are significant in building customer satisfaction. Ladhari (2008) in his study "Assessment of the psychometric properties of SERVQUAL in the Canadian banking industry" proved that Servqual model is a suitable instrument for assessing bank service for the context of Canada and the results showed that responsiveness and empathy are the most important dimensions for the overall service quality for Canadian Banks. Furthermore, Razak et al. (2013, p. 196) in their study found that the results "provide evidence that, five independent variables; reliability, assurance, responsiveness, empathy and tangible had influenced customers' satisfaction towards the quality of services provided by Bank Islam Malaysia Berhad (BIMB)". In addition, Ravichandran et al. (2010, p. 117) in their study at district Indian retail banks using Servqual, have concluded that "increase in service quality of the banks can satisfy and develop customer satisfaction which ultimately retains valued customers."

A similar study was undertaken by Lau et al. (2013) for the Contemporary Management Research, in which they found that the five dimensions of service quality of HSBC Bank in Hong Kong were significantly related to customer satisfaction ( $r= 0.23$ ,  $p < 0.01$ ), except empathy with  $r= 0.23$ ,  $p < 0.1$ . Customer satisfaction was also significantly related to loyalty ( $r= 0.36$ ,  $p < 0.01$ ). It is plausible therefore the service quality dimensions to be related with customer satisfaction. This assumption is expressed in the following hypotheses.

*Hypothesis A: The customers' satisfaction of Paphos Coop Bank will be significantly and positively related with service quality.*

*Hypothesis A can be expanded into its sub-hypotheses to reflect the five dimensions of SERVQUAL model. E.g.*

*Hypothesis 1A: Tangibility will positively and significantly influence customer satisfaction.*

*Hypothesis 2A: Responsiveness will positively and significantly influence customer satisfaction.*

*Hypothesis 3A: Reliability will positively and significantly influence customer satisfaction.*

*Hypothesis 4A: Assurance will positively and significantly influence customer satisfaction.*

*Hypothesis 5A: Empathy will positively and significantly influence customer satisfaction.*

## **2.6 Loyalty**

The feeling of attachment and affection for the people, products or services of a company is described by Jones and Sasser (1995) as customer loyalty. Lovelock (2001) stated that loyalty in a business context is a customer's intention to continue using a company for many years, to repeatedly buying and consuming its goods and services on a regular and preferable basis and willingly recommend it to friends and associates. Furthermore, Aksoy et al. (2014, p. 38) described it as, "Loyalty is the recognition of the specialness of a relationship, the creation of a bond as the result of the relationship, and the defense and reinforcement of this relationship." Building a long term relationship and enhancing loyal clients companies are gaining a consistent source of revenues and are also minimizing marketing and operating costs (Lovelock, 2001, p. 104).

Reichheld and Sasser (1990) in their research found that companies can be benefited by a loyal client base in four aspects. The first one is the profit from increased sales which is based on the fact that people's life change during time and their needs grow with them as they create a family, buy a bigger house or get a better job. If companies preserve their clients for many years they can benefit from their increased purchases in order to cover for their needs. The second aspect is profit from reduced operating

cost which is referred to the fact that over the years a loyal client is becoming more informed and aware of how the company operates and thus service and interaction with company employees takes less time and can also facilitate higher productivity. The third aspect a company can benefited from loyal clients is their truthful referrals which generates cost free sales and advertising for the company as there is no need to heavily invest in such activities. The fourth aspect is the profit from price premiums where customers that are satisfied and trust the providers for their high quality are willing to pay a premium price for that.

Loyalty as inherent from definitions is linked to service quality and customer satisfaction that promotes trust, confidence and security to consumers which ease the building of long term relationships with the company. This link was supported in the research carried out by Curran and Healy (2014, p. 381), which they stated “the path to true loyalty is through perceived value, perceived brand superiority, meeting customer expectations, and social bonding. The results of their research have showed that price is the main influencer for lower levels of loyalty. However, in higher loyalty levels price appears to be less significant. Only companies that offer to their clients value which is beyond the charged price will realize the benefits of genuine loyal clients. Results also showed that price is used in attracting clients to get involved with the brand in a first stage but this is not enough for clients to become loyal customers. After the first stage of interaction with the brand, it is inherent that the customers will receive a strong message of the significant value the brand is offering.

Lau et al. (2013, p. 275) in a Hong Kong study found that “the overall satisfaction of HSBC customers has an mediating effect on the relationship between service quality dimensions (tangibles, reliability, responsiveness, empathy and assurance) and HSBC customer loyalty.” Furthermore they argued that the value and quality of services that offer to their clients is influencing their satisfaction which is directly linked to customer loyalty. In addition, they commented that customer satisfaction is produced by the interactions of customer – employee, where happy employees are proven to be more sufficient and productive. Thus, enhancing customers satisfaction that generates benefits for the bank, such as the decrease in operating and servicing costs and the increase in intimacy with clients. Rossides (2011) in his measurement of customer service quality study in the banking industry of Cyprus, suggested that banks prefer to maintain the same number of branches in their network because they realized the

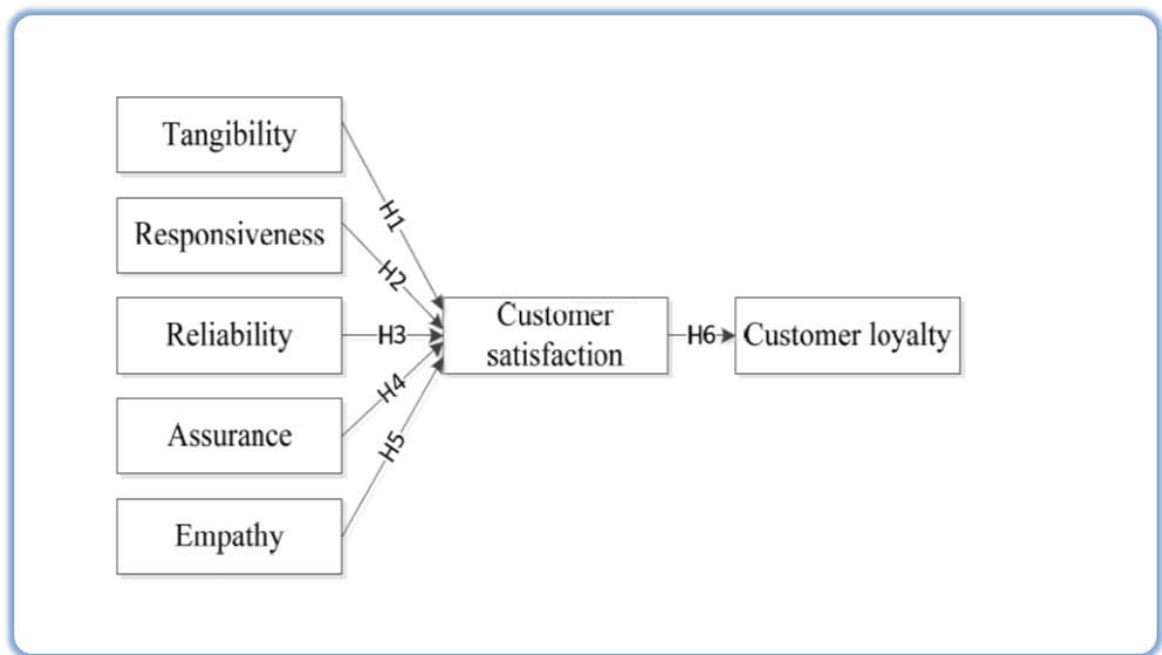
significance the interaction with their clients has in the construction of a good relationship. By strengthening this relationship, they can reduce the risk of customers switching to competition. Furthermore they can take advantage this interaction to promote cross-selling. Despite the fact that the use of alternative distribution channels like internet banking or ATMs can reduce the cost, banks also encourage clients to visit their branches for relationship building purposes.

Ladhari et al. (2011) in a survey of 222 Tunisian bank customers, found that perceived service quality, emotional satisfaction and image are key components of loyalty and recommendation. Furthermore, Abbas (2013, p. 705) in his research of 422 respondents from five local banks in Riyadh, Saudi Arabia found that “satisfaction has a mediating effect on the relationships between service quality dimensions (tangibility, reliability, responsiveness, empathy, and assurance) and customer loyalty”. In addition, Ariful et al. (2013, p. 94) in their study on banking industries of Bangladesh found “that there are significantly positive correlations with the dimensions of service quality (reliability, empathy, responsiveness, tangibility, recovery, knowledge and perceived value) and customer satisfaction which means that as customers are getting quality services, they are satisfied. “The correlation between customer satisfaction and customer loyalty is positive and significant”

The review of the literature supports the view that there is relationship between customer satisfaction and loyalty in the context of a service quality framework. This view is articulated in the following hypothesis.

*Hypothesis 6: Loyalty will be positively and significantly influenced by customer satisfaction.*

Concluding, the above hypotheses that will be tested in this study are shown diagrammatically in Figure 1 below. This framework is also supported by Lau, et al. (2013).



**Figure 4: Theoretical Framework (Lau et al., 2013, p. 270)**

### 3. Methodology

An analysis of the research methodology follows with particular reference to the subjects of the research, the analytical procedure that was used to collect and process the responses , the breakdown of the questionnaires and finally the ethical considerations of the study.

#### 3.1 Research Subjects

The research aimed to collect data from random customers of Paphos Coop Bank when visiting one of its branches. The questionnaires were available to all clients as it were placed in front of every service teller and employees encouraged customers to answer the questionnaire by pointing out that this is an anonymous and completely voluntary survey. All the customers were told to seal the questionnaire in the envelope provided and put it in the comment box upon completion.

To enhance objectivity and increase the sample size, an electronic questionnaire was developed with the help of Google Forms, which it was promoted through emails and social media such as LinkedIn and Facebook. The electronic questionnaire was accessible at any time of the day and from any place which help customers express their opinions on convenient time and place. It also promoted anonymity and an environmental friendly approach. The target for the sample size was to gather one

hundred questionnaires which is a reasonable sample to acquire objective results and it provides the flexibility to perform reliable statistical analysis.

### **3.2 Analytical Procedure**

The IBM SPSS Statistics Version 20 was used to assess the measurement models through factor analyses (FAs). “Factor analysis allows you to condense a large set of variables or scale items down to a smaller, more manageable number of dimensions or factors” (Pallant, 2013, p. 99). Moreover, SPSS was used to test the hypotheses by performing correlational analyses. “Pearson correlation or Spearman correlation is used when you want to explore the strength of the relationship between two continuous variables. This gives you an indication of both the direction (positive or negative) and the strength of the relationship. A positive correlation indicates that as one variable increases, so does the other. A negative correlation indicates that as one variable increases, the other decreases” (Pallant, 2013, p. 99). Pearson’s correlation was used for the needs of this study. Cronbach’s Alpha coefficient was used to check the reliability of the scales in the research. Reliability refers to the scale’s internal consistency and the degree to which the items that make up the scale ‘hang together’(Pallant, 2013, p. 99). Mean values and standard deviation values were calculate by using Microsoft Excel 2010.

### **3.3 Questionnaire Breakdown and Coding**

Questionnaires are comprised with four sections. The first section assesses the general demographic nature of the sample such as gender, age, income, education, occupation and other that will help us define the personal characteristics of each customer group. This grouping will help in the understanding of the specific levels of service quality each group is expecting.

The servqual Model of Parasuraman et al. (1988) that is comprised by 44 questions and is separated in two sections will be used to measure service quality of Paphos Coop Bank. The second section of the questionnaire comprising with 22 questions measures the expectations of customers. The third section with the other 22 questions, which are actually the same questions found in the first section but adjusted to the specific service of Paphos Coop Bank, will measure the perceived quality the customers receive. In both sections the dimensions of tangibles, reliability, assurance, empathy and responsiveness are separately examined.



A fourth section is specially constructed to measure customer satisfaction and loyalty. Customer satisfaction is measured with three questions that refer to overall satisfaction from the quality of services, the customers' satisfaction from their most recent experience with a bank employee and in comparison with the competition how satisfied they are. Loyalty is measured by four questions that refer to the intention of customers to repurchase business in the future and in what degree the Paphos Coop Bank will be their first choice. Also their intention to recommend Paphos Coop Bank services to friends and family as well as how important the service quality is for their loyalty.

All responses to the questions were based on a 7-point Likert scale from 1= Strongly Disagree to 7= Strongly Agree. No intermediary wording was used for the numbers 2-6. The complete questionnaire can be found in the Appendix I. The coding of the question items that shows the reference of the 1st order factors with the 2nd order factors can be seen in Appendix III. The questionnaire statements that were used in the research are shown in Appendix IV.

### **3.4 Ethical Considerations**

It is essential that ethical issues are considered during the construction of the assessment plan. Ethical considerations during evaluation included:

- Informed consent of the respondents and from the Bank's management
- Voluntary participation
- Confidentiality
- Anonymity
- Reasons for undertaking this survey
- Ensuring objectivity by avoiding bias
- Avoiding conflict of interest

Ethical considerations are very important in every study as these parameters will help in the design of a robust research method and the collection of objective responses. By behaving ethically in the process of every research means to respect yourself as a researcher, the business that allowed you to use its customers and facilities to conduct the research and utmost the respondents that provide you with their valuable opinions. For these reasons, the consent of Paphos Coop Bank was asked and granted in prior to

the undertaking of this research. During the research, all customers were informed for the cause and objectives of this study. In addition, they were informed that this is a voluntary research and that all answers will be kept anonymous and confidential. In order to ensure objectivity an envelope was given with the questionnaire and an answer box was provide, in order to reassure customers that the Bank employees will not see what they have answered. For this purpose and electronic questionnaire was also created. To avoid conflict of interest, all employees were informed that questionnaires answered from their friends and close family were not allowed. By taking all these into consideration we believe that a high level of ethics was kept during the procedure of this research.

## **4. Findings/Results and Hypothesis Testing**

### **4.1 Sample and Response Rate**

The target sample was to collect responses from 100 random bank customers. About 130 questionnaires were printed and given to customers through different bank branches. From those, 55 (42.3% response rate) were returned to us, but after evaluation we could only use 48 (36.92%) as the remaining 7 (5.3%) were not properly answered. The online questionnaire that was created on Google Forms completed the other 52 responses that were needed to complete the target sample of  $N = 100$ . As Google Forms provide information only for the answered questionnaires we assume that the online response was at 100%. The final response rate that includes the in-branch and the online questionnaires is 76.92%.

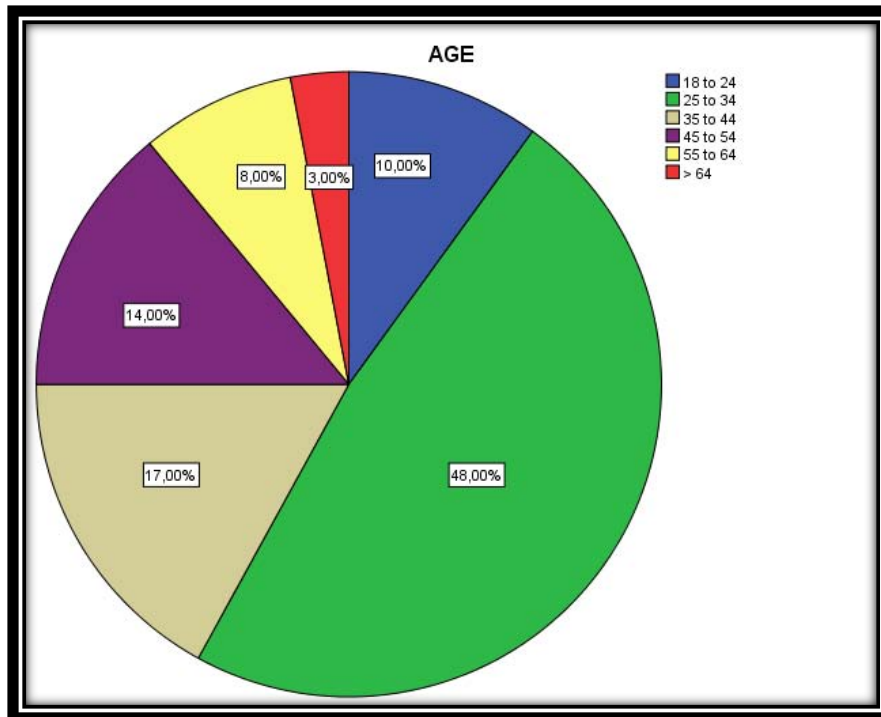
### **4.2 Descriptive Statistics**

The descriptive statistics findings are depicted in Table 1 below. From the one hundred respondents that participated in the survey 53% were male and 47% were female customers. Most of the respondents, 63% were dealing with the central offices, 9% were dealing with B2 branch, 7% with Pegeia branch and several other branches had 2-3% of the respondents. It is obvious that the perceived service quality will mostly be influenced by the service of the Central offices employees and will assume that this reflects to the general Paphos Coop Bank service performance. The majority of the sample was Cypriot citizens (94%) aged between 25-34 years old (48%) followed from those aged 35-44 (17%). Most of the customers had either more than 15 years of cooperation (29%) with Coop Bank of Paphos or 2-5 years of cooperation

(28%). The 55% of the respondents are University graduates and work as private employees (29%) with monthly income of 1001-2000 euros (35%). They are married (63%) and do not have any children (55%) or they have children that are under 18 years old (32%). Following we have included the pie charts of the most significant demographic items for a graphical view of the results. All of the charts are cited in the Appendix V of this study.

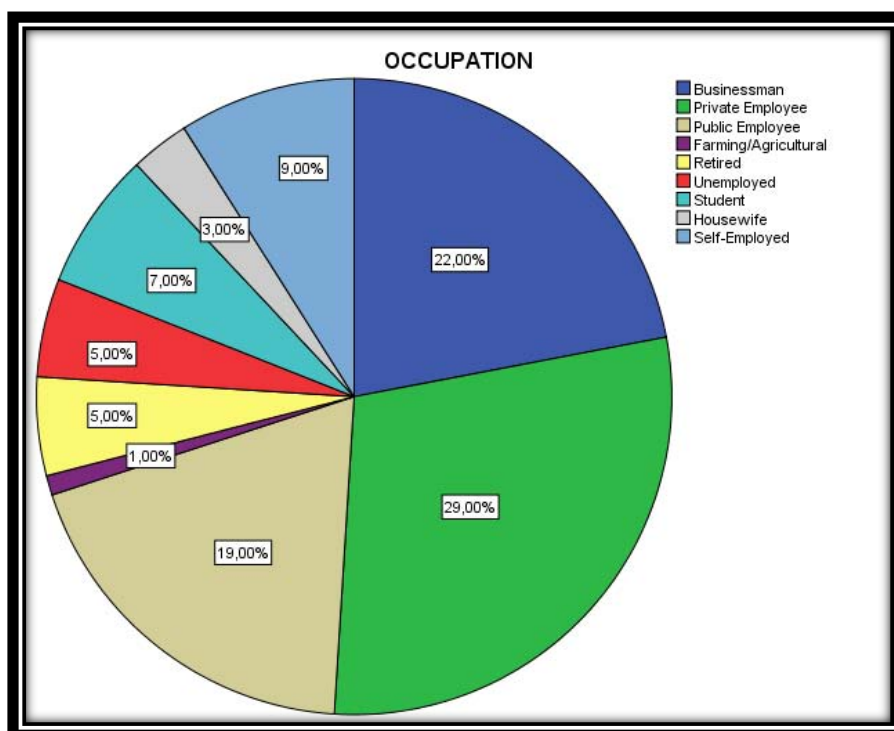
<b>BRANCH</b>	<b>%</b>	<b>OCCUPATION</b>	<b>%</b>
Central	63,0	Businessman	22,0
B2	9,0	Private Employee	29,0
B6	1,0	Public Employee	19,0
Geroskipou	3,0	Farming/Agricultural	1,0
Kato Paphos	4,0	Retired	5,0
Chloraka	6,0	Unemployed	5,0
Pegeia	7,0	Student	7,0
Tala	2,0	Housewife	3,0
Tremithousa	2,0	Self-Employed	9,0
Tsada	1,0	Total	100,0
Kathikas	1,0	<b>MONTHLY INCOME</b>	
Konia	1,0	0	13,0
Total	100,0	< 1000	33,0
<b>YEARS OF COOPERATION</b>		1001-2000	35,0
less than 1	5,0	2001-4000	12,0
1-2	6,0	4001-6500	3,0
2-5	28,0	> 6500	4,0
5-10	24,0	Total	100,0
10-15	8,0	<b>EDUCATION</b>	
more than 15	29,0	Primary	3,0
Total	100,0	Secondary	16,0
<b>SEX</b>		Graduate	55,0
Male	53,0	Post Graduate and above	26,0
Female	47,0	Total	100,0
Total	100,0	<b>FAMILY STATUS</b>	
<b>AGE</b>		Married	63,0
18 to 24	10,0	Not Married	26,0
25 to 34	48,0	Divorced	4,0
35 to 44	17,0	Cohabating	7,0
45 to 54	14,0	Total	100,0
55 to 64	8,0	<b>CHILDREN AT HOME</b>	
> 64	3,0	Over 18 years	10,0
Total	100,0	Under 18 years	32,0
<b>NATIONALITY</b>		Both	3,0
Cypriot	94,0	No Children	55,0
EU	4,0	Total	100,0
Other	2,0		
Total	100,0		

**Table 1: Descriptive Statistics of the Sample**



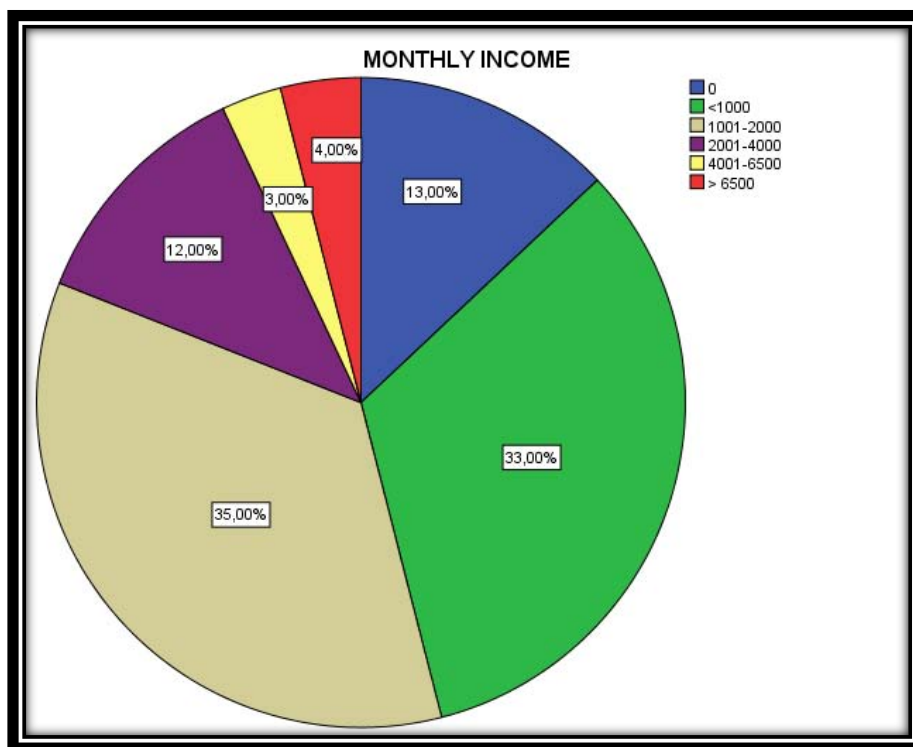
**Chart 1: Group Age of the Sample**

Chart 1 illustrates the age segmentation of the sample. The dominant age of the respondents were those with age from 25 to 34 (48%) and the remaining were in the 35 to 44 age group. It is obvious that ages from 55 to 64 and from 64 and above were not willing to participate in the research. Instead younger people, that were more educated and had a graduate degree (55% - see Table 1 Education) were more eager to involve in the research.



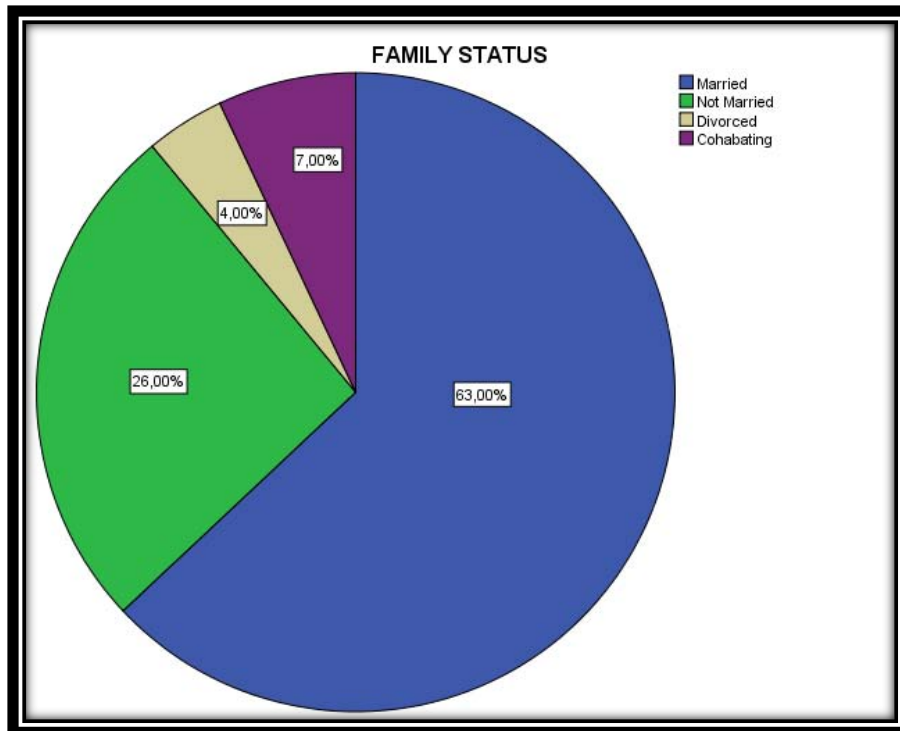
**Chart 2: Occupation of the Sample**

Chart 2 shows that the majority of the respondents are working in three distinguished categories. A 29% of the respondents work as private employees, 22% of them have their own business and 19% works for the government. It is worth to notice that only 1% of the respondents work in farming and agriculture, and that the 5% of the sample stated that are unemployed. This is consisted with the results shown in chart no 1 where the majority of the sample are young people with graduate (55%) and post graduate education (26%) who choose to work in less ‘labor intensive’ jobs and choose to work as private or public employees or create their own company.



**Chart 3: Monthly Income of the Sample**

Chart 3 indicates that the majority of the sample has either a monthly income of up to €1000 or from €1001 to €2000. This is also consistent with the previous finding, and shows that young graduates and post graduates in Paphos gain up to €2000 mainly due to the economic crisis that brought salary reductions and high unemployment rates. A noticeable result that adds on the previous statement is that 13% of the respondents stated that had zero income. Only 3% of the sample was gaining a monthly income from €4001 – €6500 and 4% more than €6500.



**Chart 4: Family Status of the Sample**

Chart 4 shows that the majority of the sample are married (63%). The rest of the sample are single people (26%) or are living together with their partners (7%). Just 4% of the sample stated that are divorced. The fact that the majority of the sample are young educated people that are married or are going to get married soon and start a family, must be noticed by the Paphos Coop bank management, as these facts can become the foundations for further growth of the customers base. If the management invest and focus on the young people by, providing services and products that will engage them in long term financial needs (housing loans, etc.), then the bank in the long term can only be benefited from their loyalty.

### 4.3 Factor Analysis

A Principal Component Analysis (PCA) examination for confirming the validity of the construct in relation with the original Servqual model was performed separately on the 22 items for expectation section and for the 22 items of the perception section using Varimax rotation. This was also supported by Bartlett's (1954) test of sphericity and Kaiser-Mayer Olkin (KMO) (1970) measure of sampling adequacy. The same method was used for the 3 items of Satisfaction and the 4 items of Loyalty.

The expectation items KMO value is .866 which exceeded the recommended value of .6, and Bartlett's test of sphericity reached statistical significance with  $p < .05$ ,

( $P=.000$ ) which are considered appropriate for factor analysis. The expectation items of PCA yielded 4 components with eigenvalues exceeding 1, which were: component 1=10.97 related to “Assurance and Responsiveness” explaining 49.88% of the variance, component 2=1.63 related to “Reliability” explaining 7.42% of the variance, component 3=1.43 related to “Empathy” explaining 6.50% of the variance and component 4=1.27 related to “Tangibles” explaining 5.78% of the variance. Table 2 also reveals the results of factor analysis using the rotated Varimax component matrix. These results are in contrast with the original Servqual model developed by Parasuraman et al. (1988), which is consisted with 5 dimensions-components which were explained in the literature review. This can be due to the relatively small size of the sample ( $N=100$ ), the special characteristics of the Cyprus sample and the Servqual’s factor overlapping. Despite that the factors load into four dimensions-components, in this study we will assume that the factors are five as per the literature (Parasuraman et al., 1991, Marsh, Balla and McDonald, 1988) and we will recommend that future studies should consider a bigger sample. This is supported Parasuraman et al. (1991, p. 425) where they stated that “the factor loading matrix for the expectations items suggests a four-factor structure, with relatively low loadings for all items in the fifth factor (F5)”. In addition, they mentioned that the factor loading for the perception items shows that customers perceptual structures for responsiveness and assurance also overlap but it is less obvious as many responsiveness items have high loadings on reliability and empathy factors. The overall factor loading pattern for expectations is similar to the perceptions pattern with the exception that the second is not that clear as perceptions also showed higher inter-factor correlations. After running various factor analyses they reached in the following three conclusions: 1) Tangibles split in two subdimensions in the revised scale - one for the physical facilities and equipment and the second related to employees and communication materials. 2) the dimensions overlap degree (reflected by inter-factor correlations) is slightly higher in the revised scale. 3) Responsiveness and assurance are practically indistinguishable in the five factor solutions but appear to be discrete in the six factor solutions that permits adequate “degrees of freedom” for the dimensions other than tangibles to show the uniqueness. Combining all these conclusions Parasuraman et al. (1991, p. 431) suggested that “while the interdimensional overlap in the refined Servqual scale is somewhat greater than in the original scale, the refinement still reflects the basic five – dimensional structure of the

original scale with one key exception – namely, the dichotomization of tangibles into two subdimensions”. In a later study Parasuraman et al. (1994, p. 113) also supported that “Though the Servqual dimensions represent five conceptually distinct facets of service quality, they are also interrelated, as evidenced by the need of oblique rotations of factor solutions in the various studies to obtain the most interpretable factor patterns. One fruitful area of future research is to explore the nature and causes of these interrelationships.”

In addition, Marsh et al., (1988) in their Monte Carlo study they researched the effects of sample size on a large number of fit indices. This was achieved by the use of seven diverse sample sizes and a number of different true and false models that were based on actual and simulated data. According to their findings, only the Tucker-Lewis Index (TLI) values were considered to be independent of the sample size. Other indices that were also considered not to be affected by the sample size were proven wrong as sample size was affecting their factors loading and the goodness of their fit. These results comes to support the use of the five components of the Servqual Model as per literature and not the four components that our factor analysis presented, as our sample size had an effect on the factor loadings.

**Rotated Component Matrix<sup>a</sup>**

	Component			
	1	2	3	4
<b>ExpResp1- The employees of the Bank must tell customers exactly when services will be performed</b>	.840			
<b>ExpR4- The Bank must provide its services at the promised time.</b>	.791			
<b>ExpR1- When the bank promises to do something by a certain time, it should do it.</b>	.790			
<b>ExpAss2- Customers should feel safe in their transactions.</b>	.692			
<b>ExpResp3- Employees should always be willing to help customers</b>	.647			
<b>ExpAss3- Employees should consistently be well-mannered and polite with customers.</b>	.615			
<b>ExpAss1- Customers should be able to trust the employees of the Bank.</b>	.582			
<b>ExpResp4- Employees should never be too busy to respond to customers' requests.</b>	.545			



ExpAss4- Employees of the bank will have the knowledge to answer customers' questions.	.514		
ExpR2- When customers have problems, the bank employees should be sympathetic and reassuring	.511		
ExpR3- Bank should be dependable		.790	
ExpT4- Materials associated with the service (A/C books, leaflets, Statements) must be visually appealing and easy to understand.		.693	
ExpResp2- Employees should give prompt service to customers.		.683	
ExpR5- It must provide customers accurate and error free records.		.682	
ExpT1- The bank must have up-to-date equipment.		.657	
ExpEM4- The Bank must have its customers' best interests at heart.			.812
ExpEM3- The Bank must have employees who are giving customers personal attention.			.789
ExpEM5- The employees must understand their customers' specific needs.			.771
ExpEM2- The Bank's operating hours must be convenient to serve all customers.			.663
ExpEM1- The Bank should give customers individual attention.			.528
ExpT2- Their physical facilities should be visually appealing			.811
ExpT3- The employees must have professional and neat appearance.			.782

**Table 2: Rotated Component Matrix Varimax – Expectation Items**

The perception items KMO value is .936 which exceeded the recommended value of .6, and Bartlett's test of sphericity reached statistical significance with  $P < .05$  ( $P=.000$ ) which are considered appropriate for factor analysis. The perception items of PCA yielded only 2 items with eigenvalues exceeding 1, which were: component 1=13.93 related to "Reliability-Responsiveness-Assurance-Empathy" explaining 63.35% of the variance and component 2 = 1.49 related to Tangibles explaining 6.79% of the variance. This is also obvious in Table 3 of factor analysis with rotated component matrix using Varimax which shows the loading of the factors into two components. The loading of the perception items are not consisted with the original Servqual model developed by Parasuraman et al. (1988), which is comprised with 5

dimensions-components which were explained in the literature review. This can be due to the relatively small size of the sample (n=100) , the special characteristics of the Cyprus sample and the Servqual's factor overlapping. For the continuation of this study we will assume that the loading is done as in literature in five components. Supporting literature (Parasuraman et al., 1991) for this was analyzed earlier in pages 38-39.

**Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
<b>PerEM5 - Paphos Coop Bank employees understand their customers' specific needs.</b>	.850	
<b>PerResp3 - Employees of Paphos Coop Bank are always willing to help customers.</b>	.847	
<b>PerResp2 - You receive prompt service form Paphos Coop Bank employees.</b>	.839	
<b>PerEM1 - Paphos Coop Bank gives you individual attention.</b>	.830	
<b>PerAss1 - You can trust the employees of Paphos Coop Bank.</b>	.826	
<b>PerAss3 - Employees of Paphos Coop Bank are consistently well-mannered and polite with you.</b>	.799	
<b>PerAss4 - Employees of Paphos Coop Bank have the knowledge to answer to your questions.</b>	.798	
<b>PerResp4 - Employees of Paphos Coop Bank are never too busy to respond to customers' requests.</b>	.737	
<b>PerAss2 - You feel safe in your transactions with Paphos Coop Bank employees.</b>	.725	
<b>PerEM3 - Paphos Coop Bank has employees who are giving customers personal attention.</b>	.715	
<b>PerResp1 - The employees of Paphos Coop Bank tell customers exactly when services will be performed.</b>	.713	
<b>PerEM4 - Paphos Coop Bank has its customers' best interests at heart.</b>	.705	
<b>PerR3 - . Paphos Coop Bank is dependable.</b>	.672	
<b>PerR4 - Paphos Coop Bank provides its services at the promised time.</b>	.648	
<b>PerR2 - When you have problems, the Paphos Coop Bank employees are sympathetic and reassuring.</b>	.640	

PerEM2 - Paphos Coop Bank operating hours are convenient to all their customers.	.615
PerR1 - When Paphos Coop Bank promises to do something by a certain time, it does so.	.541
PerT2 - Paphos Coop Bank physical facilities are visually appealing.	.896
PerT1 - Paphos Coop Bank has up-to-date equipment.	.830
PerT3 - Paphos Coop Bank employees have professional and neat appearance.	.693
PerT4 - Paphos Coop Bank materials (A/C books, leaflets, Statements) associated with their service are visually appealing and easy to understand.	.681
PerR5 - When Paphos Coop Bank promises to do something by a certain time, it does so.	.620

**Table 3: Rotated Component Matrix Varimax – Perception items**

The Satisfaction items KMO value is .653 which exceeded the recommended value of .6, and Bartlett’s test of sphericity reached statistical significance with  $P < .05$  ( $P=.000$ ) which are considered appropriate for factor analysis. The items of PCA yielded only 1 item with eigenvalue exceeding 1, which was: component 1=2.187 related to “Customer Satisfaction” explaining 72.91 % of the variance. Table 4 illustrates the factor analysis with component matrix using PCA and shows the loading of the factors into the component.

	Component
	1
Satisfaction 2- In relation with other banks, Paphos Coop bank’s services/products and prices satisfies you.	.907
Satisfaction 1 - The overall quality of service in Paphos Coop Bank satisfies you.	.894
Satisfaction 3 - In your last visit to the bank, the employee that served you has met your expectations.	.752

**Table 4: Component Matrix – Customer Satisfaction**

The Loyalty items KMO value is .780 which exceeded the recommended value of .6, and Bartlett’s test of sphericity reached statistical significance with  $P < .05$  ( $P=.000$ ) which are considered appropriate for factor analysis. The items of PCA yielded only 1

item with eigenvalue exceeding 1, which was: component 1=2.895 related to “Customer Loyalty” explaining 72.37 % of the variance. Table 5 illustrates the factor analysis with component matrix using PCA and shows the loading of the factors into the component. The Loyalty item no: 4 appears to have a low value of .342 in the Communalities Table 6 in comparison with the other 3 items that have higher values of .81 and above. This indicates that the item no: 4 do not fit well with the other items in its component and if we remove it then we will increase the total variance explained, but since the value is not less than .3 (Pallant, 2007, p. 196) we will keep item no: 4 in the component.

**Component Matrix<sup>a</sup>**

	Component
	1
Loyalty 1 - You will continue to use Paphos Coop Bank's services in the future.	.939
Loyalty 3 - You will consider Paphos Coop Bank to be your first choice for your future banking needs.	.925
Loyalty 2 - You would recommend our service to a friend or family member	.904
Loyalty 4 - The quality of banking services has great importance to a client's loyalty	.585

**Table 5: Component Matrix – Customer Loyalty**

**Communalities**

	Initial	Extraction
Loyalty 1 - You will continue to use Paphos Coop Bank's services in the future.	1,000	.882
Loyalty 2 - You would recommend our service to a friend or family member.	1,000	.817
Loyalty 3 - You will consider Paphos Coop Bank to be your first choice for your future	1,000	.855
Loyalty 4 - The quality of banking services has great importance to a client's loyalty.	1,000	.342

**Table 6: Communalities – Loyalty Items**

Concluding, the components that will be used for correlation analysis for this study are the five components of Perception (Tangibles, Responsiveness, Reliability, Assurance and Empathy) and the components of Customer Satisfaction and Customer Loyalty.

#### **4.4 Reliability**

In order to check the internal consistency of the construct we run a reliability test of the items using Cronbach Alpha coefficient. Generally any Cronbach Alpha values

that are above .7 ( DeVellis, 2003) are considered to be ideal and have good internal consistency. Moreover, Hair, Ringle and Sarstedt (2011, p. 145) suggested that “composite reliability values of .60 to .70 in exploratory research and values from .70 to .90 in more advanced stages of research are regarded as satisfactory, whereas values below .60 indicate a lack of reliability.”

The Cronbach Alpha values appear to be quite sensitive to the number of the items that are in the scale and usually scales with less than 10 items are found to have low Cronbach Alpha values. When this is the case then the mean inter-item correlation of the items is more suitable to be used with optimal range of .2 to .4 (Pallant, 2007, p. 95.) In our test, the Cronbach Alpha values of the items are found to be high with values exceeding .81 except from the 4 items of the Expectation – Tangibles, which have a Cronbach Alpha value of .64 which this is lower than the .7 value that is considered ideal for internal consistency. This, of course is due to the small number of the items that is less than 10. All the Cronbach Alpha values of the items are found in Table 7.

<b>Cronbach Alpha Values</b>	
<b>Components</b>	
Expectation Tangibles	.64
Expectation Reliability	.86
Expectation Responsiveness	.83
Expectation Assurance	.86
Expectation Empathy	.84
Perception Tangibles	.87
Perception Reliability	.91
Perception Responsiveness	.92
Perception Assurance	.91
Perception Empathy	.89
Customer Satisfaction	.81
Customer Loyalty	.86

**Table 7: Components Cronbach Alpha Values**

#### **4.5 Correlation and Hypothesis Testing**

Correlation analysis was performed for the five components of Perception (Tangibles, Responsiveness, Reliability, Assurance and Empathy) and with the components of Customer Satisfaction and Customer Loyalty. This analysis shows the strength and direction of the linear relationship among two variables and it can take values from -1 to +1. The sign of plus or minus reveals whether there is a positive or a negative correlation between the two variables. In positive correlation as the one variable

increases so does the other one. In negative correlation as the one variable increases the other one decrease. The strength of the correlation is indicated by the number and a perfect correlation is that of -1 or 1 which implies that the value of one variable can be determined exactly when we know the value of the other variable. If the value of the correlation is zero then this shows that there is no relationship among the two variables. If the number is from .10 to .29 then there is small strength among the two variables, if is from .30 to .49 then there is medium strength among the two variables and if is from .50 to 1.0 then there is a large strength among the two variables.(Pallant, 2013, p. 117-121). The relationship of the variables was investigated using Pearson product moment correlation coefficients and preliminary analyses were performed to ensure no violation of the assumptions of linearity, normality and homoscedasticity. The results, as shown also in Table 8, revealed a strong correlation of the five dimensions of Servqual as perceived by the customers with Customer Satisfaction. With values from  $r = .64$  to  $.795$ ,  $n=100$ ,  $p < 0.001$  there is a strong, positive correlation among the five dimensions of perceived service quality with Customer Satisfaction. This comes to confirm our Hypothesis A and the Sub-hypothesis 1A-5A: *Hypothesis A: The customers' satisfaction of Paphos Coop Bank will be significantly and positively related with service quality.*

*Hypothesis 1A: Tangibility will positively and significantly influence customer satisfaction.*

*Hypothesis 2A: Responsiveness will positively and significantly influence customer satisfaction.*

*Hypothesis 3A: Reliability will positively and significantly influence customer satisfaction.*

*Hypothesis 4A: Assurance will positively and significantly influence customer satisfaction.*

*Hypothesis 5A: Empathy will positively and significantly influence customer satisfaction.*

These findings are also consisted with previous researches found in the literature such as Lau et al, 2013 that linked the five quality dimensions of Servqual with Customer Satisfaction and it also comes to confirm the theory from Lovelock (2001) in which

he supported that if the perceived service is better than expected then result is positive disconfirmation that leads to satisfaction.

The next observation from the correlation analysis is the strong and positive relationship between Customer Satisfaction and Customer Loyalty with  $r = .825$ ,  $n=100$ ,  $p < 0.001$ . This result comes to confirm our last Hypothesis:

*Hypothesis 6: Loyalty will be positively and significantly influenced by customer satisfaction.*

In this point we must mentioned that even though the five dimensions of perceived service quality are hypothesized to have an indirect relationship with Customer Loyalty through the mediating link of Customer Satisfaction, we observe that the results of correlation analysis (Table 8) prove that there is also a direct strong and positive correlation between the five dimensions and Customer Satisfaction.

This is also found in the Lau et al. 2001, research for HSBC Bank in Hong Kong where the indirect effect of the five quality dimensions are linked with Customer Loyalty through the mediating effect of Customer Satisfaction. Furthermore as Curran and Healy,(2014, p. 381) stated in their study “the path to true loyalty is through perceived value, perceived brand superiority, meeting customer expectations, and social bonding” which further supports our findings.

Latent Variable	Mean	$\sigma$	1	2	3	4	5	6	7
1. Perception Tangibles	5.64	1.13	<b>.87</b>						
2. Perception Reliability	5.57	1.27	.75**	<b>.92</b>					
3. Perception Responsiveness	5.79	1.21	.67**	.88**	<b>.92</b>				
4. Perception Assurance	5.76	1.29	.64**	.81**	.89**	<b>.92</b>			
5. Perception Empathy	5.30	1.33	.61**	.78**	.85**	.83**	<b>.89</b>		
6. Satisfaction	5.46	1.24	.64**	.76**	.73**	.76**	.79**	<b>.81</b>	
7. Loyalty	5.35	1.32	.53**	.69**	.67**	.68**	.68**	.82**	<b>.87</b>

**Table 8:** Means, standard deviations and correlations coefficient estimates for Tangibles, Reliability, Responsiveness, Assurance, Empathy, Satisfaction and Loyalty.

N = 100; \*\* p < .01; coefficient alphas (as) are located on the diagonal

#### 4.6 Perceptions - Expectations Gap

To research if there is a gap between customers' perceptions and expectations of Paphos Coop Bank and what the extend of this gap is, we have calculated the mean value for each of the five quality dimensions of the Servqual for both, the expectations and the perceptions part. In this way we could review the performed level of the service quality of Paphos Coop Bank and what are the areas/dimensions that is performing well and in which is falling short and needs improvements. In Table 9 we can view the unweighted mean values for every dimension that concerns the Perceptions and Expectations and also the P-E scores that reveals the gap in each dimension. We observe that Tangibles and Responsiveness have the lowest P-E scores which indicate that in this service quality dimensions, Paphos Coop Bank is performing better than in the remaining three dimensions. Furthermore, there is a relative small gap (-0.6), of what Paphos Coop Bank customers expect from the physical facilities, equipment, the employees professional appearance and all the tangible materials that are involved in the service, from what the customers actually receive. This can also be claimed for the prompt service, the response to customer's requests and the willingness to serve their customers which the Paphos Coop Bank employees offer which all these relates to Responsiveness and has a P-E score of -0.7.

The other three quality dimensions of service, Reliability, Assurance and Empathy, which have higher P-E scores, indicate a bigger gap in what the customers expect from what they actually perceive. The Reliability dimension has the highest gap score of all the quality dimensions with a score of -1.1. This shows that elements such as "to provide the service in the promised time", "the provision for accurate and error free records", "to perform something that is being promised in the specific time" and "the dependability of the Bank" that institutes Reliability, do not meet the high levels (6.7) of customers' expectations and improvements needs to be made in these areas.

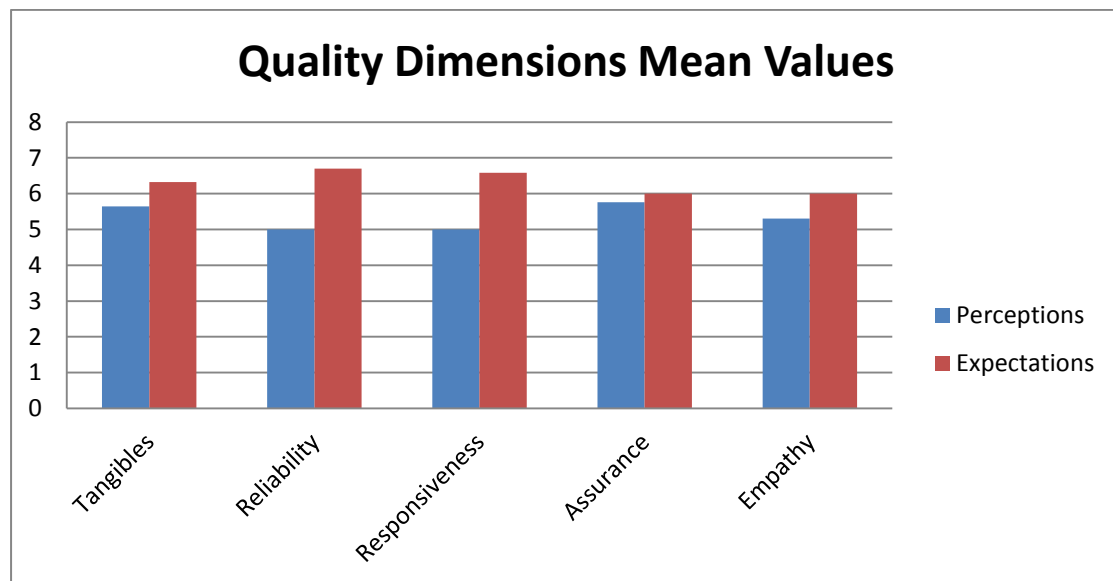
The second dimension with high gap score is Empathy with a score of -1.0. This also indicates that in the elements that are part of Empathy which are "individual attention", "convenient operating hours", "personal attention to the client", "having customers' best interests at heart" and "understand customers' specific needs" clients expect more attention from Paphos Coop Bank employees.



The third dimension with high gap score is Assurance with a score of -0.9. The elements that are part of the Assurance dimension and customers' expectations were significantly higher than what they perceived are "To be able to trust the employees of the Bank", "feel safe in their transactions", "employees consistently be well-mannered and polite with customers" and "have the knowledge to answer customers' questions".

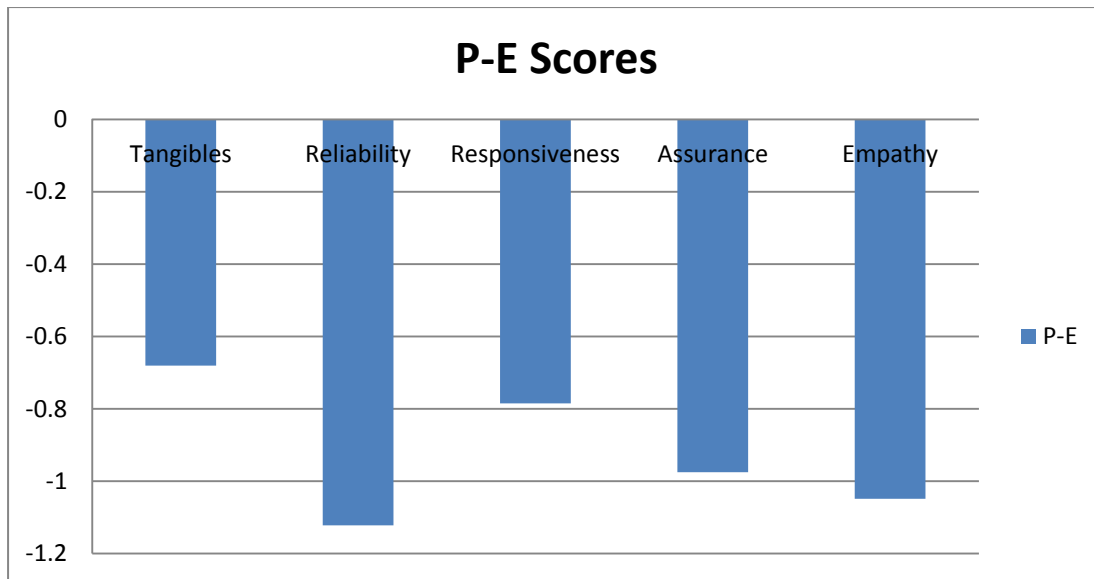
Dimensions	Perceptions	Expectations	P-E Score
Tangibles	5.6	6.3	-0.6
Reliability	5.5	6.7	-1.1
Responsiveness	5.7	6.5	-0.7
Assurance	5.7	6.7	-0.9
Empathy	5.3	6.3	-1.0

**Table 9: Quality Dimensions Mean Values and P-E Differences**



**Chart 5: Quality Dimensions Mean Values**

Chart 5 gives a graphical presentation of the perceptions and expectations levels of customers and Chart 6 reveals the P-E gap scores for each quality dimension.



**Chart 6: P-E Gap Scores**

An overall estimation is that P-E scores are supposed to be satisfactory as the scores range from -0.6 to -1.1 which implies that customer's perceptions are very close to their expectations. Furthermore the overall results of the Servqual research has revealed that the delivered services from Paphos Coop Bank's employees are very close to what their customers expect which this is also reflected to Customer Satisfaction levels that are related to service quality and thus to Customer Loyalty that is also linked to Customer Satisfaction and service quality. As discussed earlier, the demographics of the sample described the majority of the respondents as young people, highly educated who work in private companies and earn €1000 to €2000. As these details characterize the majority of the respondents and as the overall estimation from the P-E scores were graded satisfactory by them, we can link the expectations and perceptions of the five quality dimensions to them.

## 5. Discussion

This study examines the service quality levels of Paphos Cooperative Bank using the Servqual model in order to investigate the gap between the customers' expectations with their perceptions. This is achieved by using Parasuraman et al. (1988) Servqual model which consists of five dimensions: Tangible, Reliability, Responsiveness, Assurance and Empathy that helps customers to better realize what they are asked to evaluate. Furthermore this study illustrates the relationship of the service quality in Paphos Coop Bank with Customers Satisfaction and Customers Loyalty which

suggests that if bank managers wishes to keep their customers satisfied and maintain a high level of loyalty, they must focus on the service quality dimensions of Assurance, Reliability and Responsiveness which are prioritize by their customers as the most important to them.

The findings of this study have shown us that the overall service quality in Paphos Coop Bank is in a medium-to-high level with an average value from the five dimensions of 5.6. This value comes from a 7-point Likert scale and it is found in the middle of 5 and 6 which represent the statements “Somewhat Agree” and “Agree” respectively. This is also supported by the relatively low values of P-E values that range from -0.6 to 1.1 which implies that customers’ perceptions on service quality that they receive from Paphos Coop Bank employees are close to their expectations.

The results of the study revealed that customers’ expectations were higher for the quality dimension of Assurance with an average value of 6.7. This implies that customers give greater importance to aspects like the ability to trust the employees of Paphos Coop bank, who they will make customers feel safe in their transactions. Of great importance is also to consistently receive well-mannered and polite behavior from the employees who must have the knowledge to answer to customers questions. The results also revealed that customers’ perceptions on Assurance have an average value of 5.7 which gives a P-E gap of -0.9. This gap value is not the highest among the other dimensions but this should not put managers at ease as there is room for improvements. A good way to improve Assurance is for the management to constantly provide opportunities to its employees to educate and enrich their knowledge in various banking, communicational and behavioral skills. This will improve their attitude towards customers who will feel safe that their transactions are handle by capable people who can trust.

The second higher quality dimension of customers’ expectations is Reliability with an average value of 6.7. Reliability aspect such as the services to be provided at the promised time and bank to be dependable by ensuring accurate and error free transactions are emphasized by the customers of Paphos Coop Bank. The customers’ perceptions on Reliability have an average value of 5.5 which creates the highest P-E gab value of -1.1. This implies that more attention must be given in the aspects of Reliability as this is a high importance quality dimension for customer that has the

greatest P-E gap. This gap can cause serious issues to the level of service quality as perceived by the Paphos Coop bank customers and ultimately this will negatively impact Customer Satisfaction and Customer Loyalty that are linked with service quality. Reliability can be improved by establishing a high professionalism culture and attitude to the employees that will be oriented in getting the job done correctly from the first time and to deliver their service in the promised time. In addition, a multi-leveled audit system should be administered in order to check and spot for any inconsistencies in the service procedure at the earliest time, and proceed in the necessary rectifications.

Following on the customers' important dimension is Responsiveness with an average value of 6.5. Responsiveness deals with issues like providing customers prompt and eager service for them and employees should never be too busy to respond to their requests. This dimension is important for customers as everybody have their work and their obligations and they do not wish to spent and waste time in the bank more than is necessary. The Responsiveness perception value is 5.7 which give us a P-E gap value of -0.7. This has the second lowest gap value from the five quality dimensions and it is important because this implies that Paphos Coop Bank employees are eager and not too busy to serve their customers. In addition they do this in a prompt manner that satisfies their customers in a high level. Responsiveness can be improved by creating an express teller point, that will only serve customers that have maximum two or three transactions to do. This will facilitate the service of customers that just want to make a withdrawal or cash a check and then leave for their work without wasting any time.

The next dimension that is important to Paphos Coop Bank customers is Empathy with an average expectation value of 6.3. Empathy is related with the individual attention the bank employees provide to their customers in order to offer them a personalized service. The perception average value of Empathy is 5.3 that give us a P-E gap value of -1.0. This indicates that customers need and expect more individual attention and personal service adjusted in their needs that will keep them satisfied and loyal. As empathy is related to individual and personal attention from the bank employees towards their customers, then a good way to help employees to provide this kind of service is to add a profile section in the banking system where everytime the customer visits the bank, the employees can add a new characteristic and

information for the client. For example, what they like, how do they want to be serviced, what team do they support, where do their parents come from, where do they work, if they are allergic to something, and generally any information that will help employees engage in a discrete conversation with their customers and will make them feel special and unique.

The least important quality dimension for customers appears to be Tangibles with an average value of 6.3. Tangibles are all the physical facilities and equipment that support and facilitates the performance of the service. This also includes the professional and neat appearance of employees. The perception average value is 5.6 and the P-E gap value is -0.6 which is lowest gap value among the five quality dimensions. This reveals that Paphos Coop bank physical facilities and equipment are modern and up-to-date. Furthermore the employees appear to have professional appearance that satisfies their customers.

Customer Satisfaction of Paphos Coop Bank is found to be positively and significantly related with the five service quality dimensions and thus with the overall service quality. This is proven by their correlation values that are presented in Table 8 and comes to confirm the related hypothesis. Tangibles are positively and significantly correlated with Customer Satisfaction ( $r = .64, p < .01$ ). Reliability is positively and significantly correlated with Customer Satisfaction ( $r = .76, p < .01$ ). Responsiveness is positively and significantly correlated with Customer Satisfaction ( $r = .73, p < .01$ ). Assurance is positively and significantly correlated with Customer Satisfaction ( $r = .76, p < .01$ ). Empathy is positively and significantly correlated with Customer Satisfaction ( $r = .79, p < .01$ ). These results are similar to the research of Ariful et al., (2013, p. 94) in the banking system of Bangladesh, where the correlations of the five servqual dimensions had values ranging from  $r = .49 - .55, p < 0.05$  &  $< 0.01$ , respectively. They concluded that all five quality dimensions of Servqual model were significantly and positively correlated with customer satisfaction and that “there is significant and a positive correlation between perceived value and customer satisfaction in the banking sector”. In another study in the banking system of Hong Kong, Lau et al. (2013, p. 274) found that “Among the five SERVQUAL dimensions, empathy, tangibility, responsiveness, reliability, and assurance were found to be significant predictors of customer satisfaction”. Furthermore, in a study by Razak et al. (2013, p. 196) found that “the results

presented in this paper provide evidence that, five independent variables; reliability, assurance, responsiveness, empathy and tangible had influenced customers' satisfaction towards the quality of services provided by Bank Islam Malaysia Berhad (BIMB).”

Customer Satisfaction average value is 5.4 which is at similar level as the average values of the five quality dimensions for customers perceptions. This comes to support the relationship between them. Furthermore, this value indicates that Customer Satisfaction of Paphos Coop Bank is at a very satisfactory level as the average value of 5.4 from a 7-point Likert scale shows that customers opinions are found in the middle of “Somewhat Agree” and “Agree” in statements of the satisfaction of their most recent experience, in comparison with what they expected and their overall satisfaction from Paphos Coop Bank services. As Customer Satisfaction is positively and significantly related to the five quality dimensions of Servqual, then by adapting the suggestions mentioned earlier for improving each dimension, then consequently the customer's satisfaction will also be increased.

Customer Loyalty is directly linked to Customer Satisfaction and this relationship is the mediator link of Customer Loyalty with the five quality dimensions of Servqual. Similar results were also mentioned in the study of Lau et al. (2013, p. 275) in which they found that “the overall satisfaction of HSBC customers has a mediating effect on the relationship between service quality dimensions (tangibles, reliability, responsiveness, empathy and assurance) and HSBC customer loyalty.” Another study from Ariful et al. (2013, p. 94) stated that “that customer satisfaction is highly significant and positively related to customer loyalty in the banking sector.”

This implies that by delivering a high quality service to the customers in terms of having modern and up-to-date equipment, professional and cheerful employees, ready to promptly serve customers accurately at their requests, then, all this holistic service experience will create satisfaction to the minds of the customers. When customers are satisfied with the Paphos Coop Bank services, they will tell their friends and family members about their experience, creating this way positive word-of-mouth and recommendations. Furthermore Loyalty will encourage future and regular visits to the bank which will enhance the employees-customer relationship and therefore creating a friendlier and pleasant service experience in every visit. In addition, loyal clients

tend to receive better and faster service from the bank employees as they know what their customer wants and the way he wants to be served. Loyalty average value is 5.3, which is very close to the Customer Satisfaction which comes to agree with the correlation values that show a strong and positive relationship of the two variables. This also reveals that Customer Loyalty of Paphos Coop Bank is in a good level but also that there is room for improvements and enhancements.

## **6. Conclusions**

The aim of this study was to research the level of service quality of Paphos Coop Bank and discover the effect of service quality on Customer Satisfaction and Customer Loyalty. The results showed that service quality is in a fairly high level as perceived by the customers. The study also revealed the direct and positive relationship of service quality with Customer Satisfaction and the direct and positive link of Customer Satisfaction with Customer Loyalty which this link acts as a mediator to the relationship of service quality with Customer Loyalty. These findings are similar to other results in literature such as Lau M. et al. (2013) and Blery et al. (2009) who also found that service quality levels have a direct effect on Customer Satisfaction and to Customer Loyalty.

From the five quality dimensions of Servqual model, the study showed that the dimensions of Assurance, Reliability and Responsiveness are considered by the Paphos Coop Bank customers as the most important for them, as they allocated more expectation points than the other two dimensions. This means that the customers want first to feel safe for their investments and their choice to trust Paphos Coop Bank with their savings. This result is very reasonable and connected with the recent events in the Cyprus banking system that shocked the trust of Cypriot customers as investments over one hundred thousand euros in the two largest banks of Cyprus were lost due to the bail-in decision. This did not happen to the Cooperative Banks and maybe this is why the customers of Paphos Coop Bank gave a fairly high average value for Assurance which implies a good level of trust in Paphos Coop Bank. The next important dimension for the customers is the Reliability of the bank and its employees who they should be knowledgeable and well-mannered individuals that will accurately assist customers for their needs. Furthermore customers also value the fast and timeless service and appreciate when they are informed the exact time that

the service will be completed. The quality dimensions of Empathy and Tangibles follow on the importance given by the customers but this does not mean that they are not essential for providing a high quality service. Customers seek personal service and that their specific needs are understood by the employees in order to feel comfortable in their transactions. The modern facilities of the bank provide the physical place where the service is performed and the up-to-date equipment facilitates this performance in order to be fast and accurate for the benefit of the customers. Furthermore, high-end buildings and equipment provides pride and status to the bank which this is passed to the customers which makes them boast and feel proud for their choice.

The overall Customer Satisfaction level of Paphos Coop Bank is found to be satisfactory which is explained by the same service quality level that is provided to the customers. The study revealed a positive and significant relationship of service quality and the five quality dimensions with Customer Satisfaction that also confirmed the hypothesis of the study. The higher the service quality that is provided to the customers, the more satisfied they will feel. This is consistent with what Lovelock (2001) stated about the confirmation / disconfirmation of pre consumption product standards, which are the essential determinants of satisfaction. This relationship is vital for managers who want to maintain or raise the satisfaction levels of their customers which the way to achieve this is to raise the quality if their provided service.

Another important finding of the study is the relationship of Customer Loyalty with Customer Satisfaction and thus the intermediate relationship of service quality with Loyalty. As the level of quality in the provided service is raised, the customers of the bank feel more satisfied and confident with their choice and thus this has positive influence on Loyalty. Satisfied and happy customers become returning customers and tend to recommend this service to their friends and family members. Blery et al. (2009) also found that relationships exist between service quality, customers stated repurchase intention and their propensity to engage in positive word-of-mouth. The key for a successful banking business is found in the quality characteristics of its personnel who are the providers of the service that affects customers Satisfaction and Loyalty that are vital elements for growth and sustainability.



## 6.1 Practical Implications

The results of the study have revealed many useful and insight information about what Paphos Coop Bank customers think for the level of its service and what really matters to them. From the results of the research we have noticed the important and vigorous role the bank employees have in the service. Their general attitude and culture must be customer oriented in delivering high quality services in order to excel and win the trust of the customers. The bank should develop a strong and lucrative human resource program in order to attract and recruit the most capable and suitable personnel for each position. By offering an attractive package that would cover aspects such a good basic salary, health and medical insurance, suitable working environment and fair career development opportunities could be the incentives for attracting high caliber individuals. In addition, the need for continuous learning and development of the existing personnel should be satisfied by a well-organized and comprehensive training program. Let's not overlook the fact that the most valuable asset in a business is the personnel and especially in service business such as the bank, that employees are building a relationship with their customers that benefits all the parties involved. Customers are benefited from the high quality services and the individual attention that they are receiving, employees are benefited from performing high quality services in the minimum of time as they know what their customers need and the bank is benefited from the satisfied customers that enhances their loyalty and thus minimizing costs for attracting new customers and maintaining its competitive advantage in the market.

Furthermore, as the study has shown customers expect to receive more in the quality dimensions of Assurance, Reliability and Responsiveness and so Paphos Coop Bank managers should focus to empower this dimensions without neglecting the other two dimensions. By providing quality service that is above customers' expectations then this maximizes their satisfaction as they move in the upper section of the zone of tolerance in the "Desired Service" that covers their needs and beliefs (Zeithaml et al., 1993). An adaptive culture focused on the changing needs of the customers will be a great way to keep customers satisfied that will generated positive word-of-mouth and repurchase intention.

## 6.2 Limitation and future research suggestions

In completing this study several limitations had to be tackled in order for this to be completed. First the time limit for the completion of the study has limited the sample size in one hundred respondents. This caused us some problems with the factor analysis as the expectation factors of Servqual supported four factors instead of five. In addition, the perception factors of Servqual were loading in two factors instead of the five. These problems could also have been caused by the length of the questionnaires that would discourage customers from answering properly. Future research should engage a bigger sample size and a shorter questionnaire. In addition, the research can include other retail banks in Paphos area in order to compare results with the competition. Another limitation is related to the cross-sectional design of the study which renders it vulnerable to problems associated with common method variance. To account for the problem of common method variance, future research would be needed to collect data from multiple sources (Spector, 1987), and perform longitudinal studies to explore in greater detail the service quality – customer satisfaction – customer loyalty relationships.

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## Appendix

### Appendix I - English Questionnaire



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### Survey about the quality of banking services in Paphos Coop Bank Ltd

The following questionnaires are prepared in order to assess the quality of banking services of Paphos Coop Bank LTD. The survey is undertaken by Gavriel Panaris as a researcher.

The participation is completely voluntary and anonymous. Your answers will be treated as confidential information and in no way will be identified and/or made available to anyone in the bank. The questionnaire will be taken back to University for analysis. Aggregated results may be used for research purposes and may be reported to scientific and/or academic journals.

The survey is based on the SERVQUAL model which is a well know and broadly accepted tool for measuring the quality of services by assessing customers' expectations and perceptions.

When you have completed the survey please return the questionnaire to a bank employee in the sealed envelope that is provided.

If you have any questions regarding this research you can contact me on 357 99944214 or email: [gpanaris@gmail.com](mailto:gpanaris@gmail.com)

**Thank you for your Cooperation!!!**



## **B. DIRECTIONS**

This survey deals with your opinions on banking services. Based on your experiences as a bank customer, **please think about what a modern bank should deliver**. Please show the extent to which you think such a bank must possess the attributes described below. Do this by choosing one of the seven numbers next to each statement. If you strongly agree that a modern Bank should have this attribute then circle the number 7. If you strongly disagree that the modern bank should have this attribute then circle the number 1. If your feelings are less strong, circle one of the numbers in the middle. There is no right or wrong answers; all we are interested in is a number that truly reveals your expectations from a modern banking service.

**1= Strongly Disagree**

**7= Strongly Agree**

- |   |                           |
|---|---------------------------|
| 1. The bank must have up-to-date equipment.   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 2. Their physical facilities should be visually appealing   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 3. The employees must have professional and neat appearance   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 4. Materials associated with the service (A/C books, leaflets, Statements) must be visually appealing and easy to understand. | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 5. When the bank promises to do something by a certain time, it should do it.   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 6. When customers have problems, the bank employees should be sympathetic and reassuring.                                     | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 7. Bank should be dependable  | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 8. The Bank must provide its services at the promised time.   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 9. It must provide customers accurate and error free records.   | 1 — 2 — 3 — 4 — 5 — 6 — 7 |

- |   |                         |
|---|-------------------------|
| 10. The employees of the Bank must tell customers exactly when services will be performed | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 11. Employees should give prompt service to customers.                                    | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 12. Employees should always be willing to help customers                                  | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 13. Employees should never be too busy to respond to customers' requests.                 | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 14. Customers should be able to trust the employees of the Bank.                          | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 15. Customers should feel safe in their transactions.                                     | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 16. Employees should consistently be well-mannered and polite with customers.             | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 17. Employees of the bank will have the knowledge to answer customers' questions.         | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 18. The Bank should give customers individual attention.                                  | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 19. The Bank's operating hours must be convenient to serve all customers                  | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 20. The Bank must have employees who are giving customers personal attention.             | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 21. The Bank must have its customers' best interests at heart.                            | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 22. The employees must understand their customers' specific needs.                        | 1 – 2 – 3 – 4 – 5– 6– 7 |

### **C. DIRECTIONS**

The following set of statements relate to your feelings about the services of Paphos Cooperative (Coop) Bank. For each statement, please show the extent to which you believe Paphos Coop Bank has the feature described by the statement. As described previously, if you strongly agree that Paphos Coop Bank has the feature described then circle number 7. If you strongly disagree then circle number 1. If your feelings are not that strong you can circle a number in the middle that best reflects your opinion. There are no right or wrong answers; all we are interested in is a number that best shows your perceptions about Paphos Coop Bank.

	<b>1= Strongly Disagree</b>	<b>7= Strongly Agree</b>
1. Paphos Coop Bank has up-to-date equipment.	1 — 2 — 3 — 4 — 5 — 6 — 7	
2. Paphos Coop Bank physical facilities are visually appealing.	1 — 2 — 3 — 4 — 5 — 6 — 7	
3. Paphos Coop Bank employees have professional and neat appearance.	1 — 2 — 3 — 4 — 5 — 6 — 7	
4. Paphos Coop Bank materials (A/C books, leaflets, Statements) associated with their service are visually appealing and easy to understand.	1 — 2 — 3 — 4 — 5 — 6 — 7	
5. When Paphos Coop Bank promises to do something by a certain time, it does so.	1 — 2 — 3 — 4 — 5 — 6 — 7	
6. When you have problems, the Paphos Coop Bank employees are sympathetic and reassuring.	1 — 2 — 3 — 4 — 5 — 6 — 7	
7. Paphos Coop Bank is dependable.	1 — 2 — 3 — 4 — 5 — 6 — 7	
8. Paphos Coop Bank provides its services at the promised time.	1 — 2 — 3 — 4 — 5 — 6 — 7	
9. Paphos Coop Bank provides you with accurate and error free records.	1 — 2 — 3 — 4 — 5 — 6 — 7	

- |   |                         |
|---|-------------------------|
| 10. The employees of Paphos Coop Bank tell customers exactly when services will be performed. | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 11. You receive prompt service from Paphos Coop Bank employees.                               | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 12. Employees of Paphos Coop Bank are always willing to help customers.                       | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 13. Employees of Paphos Coop Bank are never too busy to respond to customers' requests.       | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 14. You can trust the employees of Paphos Coop Bank.  | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 15. You feel safe in your transactions with Paphos Coop Bank employees.                       | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 16. Employees of Paphos Coop Bank are consistently well-mannered and polite with you.         | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 17. Employees of Paphos Coop Bank have the knowledge to answer to your questions.             | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 18. Paphos Coop Bank gives you individual attention.  | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 19. Paphos Coop Bank operating hours are convenient to all their customers                    | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 20. Paphos Coop Bank has employees who are giving customers personal attention.               | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 21. Paphos Coop Bank has its customers' best interests at heart.                              | 1 – 2 – 3 – 4 – 5– 6– 7 |
| 22. Paphos Coop Bank employees understand their customers' specific needs.                    | 1 – 2 – 3 – 4 – 5– 6– 7 |

**D. Please choose the number that best describes your feelings. If you strongly agree then circle number 7. If you strongly disagree then circle number 1. If your feelings are not that strong you can circle a number in the middle that best reflects your opinion. There is no right or wrong answers;**

- |   |                           |
|---|---------------------------|
| 1. The overall quality of service in Paphos Coop Bank satisfies you.                            | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 2. In relation with other banks, Paphos Coop bank's services/products and prices satisfies you. | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 3. In your last visit to the bank, the employee that served you has met your expectations.      | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 4. You will continue to use Paphos Coop Bank's services in the future.                          | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 5. You would recommend our service to a friend or family member.                                | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 6. You will consider Paphos Coop Bank to be your first choice for your future banking needs.    | 1 — 2 — 3 — 4 — 5 — 6 — 7 |
| 7. The quality of banking services has great importance to a client's loyalty.                  | 1 — 2 — 3 — 4 — 5 — 6 — 7 |

## Appendix II - Greek Questionnaire



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### **Έρευνα για την ποιότητα υπηρεσιών του Συνεργατικού Ταμιευτηρίου Πάφου ΛΤΔ**

Το ερωτηματολόγιο που ακολουθεί έχει ετοιμαστεί με σκοπό να αξιολογήσει την ποιότητα των τραπεζικών υπηρεσιών που προσφέρει το Σ.Τ Πάφου Λτδ. Η έρευνα διεξάγεται από το Πανεπιστήμιο Νεάπολις Πάφου – Μεταπτυχιακό Πρόγραμμα Διοίκησης Επιχειρήσεων, σε συνεργασία με το ΣΤ Πάφου Λτδ.

Η συμμετοχή σας στην έρευνα είναι απολύτως εθελοντική και ανώνυμη. Οι απαντήσεις σας θα παραμείνουν εμπιστευτικές και σε καμία περίπτωση δεν θα ταυτοποιηθούν ή να δοθούν στην Τράπεζα. Τα ερωτηματολόγια θα επιστραφούν στο Πανεπιστήμιο για ανάλυση. Τα τελικά αποτελέσματα μπορεί να χρησιμοποιηθούν για ερευνητικούς σκοπούς και/ή να δημοσιευθούν σε επιστημονικά/ακαδημαϊκά περιοδικά.

Η έρευνα βασίζεται στο μοντέλο SERVQUAL το οποίο είναι ένα αρκετά διαδεδομένο και γενικά αποδεκτό εργαλείο μέτρησης της ποιότητας των υπηρεσιών, το οποίο αξιολογεί τις προσδοκίες και τις αντιλήψεις των πελατών μιας επιχείρησης.

Όταν συμπληρώσετε το ερωτηματολόγιο παρακαλώ όπως το επιστρέψετε στον υπάλληλο του Ταμιευτηρίου σφραγισμένο στο φάκελο που θα σας δοθεί.

**Ευχαριστούμε για την Συνεργασία σας !!!**



## A. Γενικές Πληροφορίες / General Information

1. Κατάστημα Εξυπηρέτησης / Branch: \_\_\_\_\_

2. Χρόνια συνεργασίας με ΣΤ Πάφου/ Years of cooperation with Paphos Coop Bank:

<1    1-2    2-5    5-10    10-15    > 15

3. Φύλο / Sex:    Άντρας / Male    Γυναίκα / Female

4. Ηλικία / Age:    18-24    25-34    35-44  
 45-54    55-64    > 64

5.Εθνικότητα / Nationality:    Κυπριακή / Cypriot    Ε.Ε / EU  
 Άλλη / Other

6. Επάγγελμα / Occupation:

Επιχειρηματίας /Businessman    Ιδ. Υπάλληλος /Private Employee  
 Δημόσιος Υπάλληλος/Public Employee    Αγρότης / Farmer  
 Συνταξιούχος / Retired Student    Εργάτης/Worker  
 Άνεργος/Unemployed    Φοιτητής / Student  
 Οικοκυρά / Housewife    Αυτοεργοδοτούμενος / Self-employed

7. Μηνιαίο Εισόδημα / Monthly Income:

0    ≤ 1000    1001-2000    2001-4000    4001-6500    >6501

8. Μόρφωση / Education:

Πρωτοβάθμια / Primary    Δευτεροβάθμια / Secondary  
 Τριτοβάθμια / Graduate    Μεταπτυχιακό / Post-Graduate

9. Οικογενειακή Κατάσταση / Family Status

Έγγαμος / Married    Άγαμος / Not married    Διαζευγμένος / Divorced  
 Συγκατοίκηση /Cohabiting    Χήρος / Widowhood

10. Παιδιά στο Σπίτι / Children at Home:

Άνω των 18 / Over 18 years    Κάτω των 18 / Under 18 years  
 Και τα δύο / Both    Χωρίς Παιδιά / No children

### Έρευνα για την ποιότητα των τραπεζικών υπηρεσιών.

**Β. ΟΔΗΓΙΕΣ :** Η έρευνα αυτή βασίζεται στη γνώμη που έχετε για τις τραπεζικές υπηρεσίες . **Βασισμένοι στις δικές σας εμπειρίες ως πελάτης ,θα θέλαμε να σκεφτείτε τι είδους υπηρεσίες θα πρόσφερε μια σύγχρονη τράπεζα.** Παρακαλούμε όπως εκφράσετε το βαθμό που πιστεύετε ότι μια τράπεζα πρέπει να κατέχει τα συγκεκριμένα χαρακτηριστικά που περιγράφονται πιο κάτω. Αυτό μπορείτε να το κάνετε διαλέγοντας ένα αριθμό από το 1 έως το 7 αναλόγως της άποψης σας για την κάθε δήλωση. Αν συμφωνείτε απόλυτα με μια δήλωση τότε κυκλώστε τον αριθμό 7. Εάν πάλι διαφωνείτε κάθετα με μια δήλωση τότε διαλέξτε τον αριθμό 1. Αν η άποψη σας είναι λιγότερη δυνατή, τότε διαλέξτε ένα από τους ενδιάμεσους αριθμούς . Δεν υπάρχουν σωστές ή λάθος απαντήσεις. Μας ενδιαφέρει να δούμε το βαθμό που **εκφράζει καλύτερα τις προσδοκίες σας,** από τις υπηρεσίες μιας ιδανικής τράπεζας .

	1=Διαφωνώ Κάθετα	7= Συμφωνώ Απόλυτα
1. Η τράπεζα πρέπει να διαθέτει σύγχρονο εξοπλισμό και τεχνολογία.	1 — 2 — 3 — 4 — 5— 6— 7	
2. Πρέπει να διαθέτει ελκυστικές εγκαταστάσεις .	1 — 2 — 3 — 4 — 5— 6— 7	
3. Οι υπάλληλοι της τράπεζας πρέπει να έχουν επαγγελματικό και κομψό ντύσιμο.	1 — 2 — 3 — 4 — 5— 6— 7	
4. Το ενημερωτικό υλικό (βιβλιάρια λογαριασμού, καταστάσεις λογαριασμού, κ.α) της τράπεζας πρέπει να είναι εύκολα κατανοητό και ελκυστικό.	1 — 2 — 3 — 4 — 5— 6— 7	
5. Όταν η τράπεζα υπόσχετε να κάνει κάτι σε ένα ορισμένο χρονικό διάστημα, πρέπει να το κάνει.	1 — 2 — 3 — 4 — 5— 6— 7	
6. Όταν οι πελάτες έχουν προβλήματα ,οι υπάλληλοι της τράπεζας πρέπει να δείχνουν συμπάθεια και να είναι καθησυχαστικοί	1 — 2 — 3 — 4 — 5— 6— 7	
7. Η τράπεζα πρέπει να είναι αξιόπιστη.	1 — 2 — 3 — 4 — 5— 6— 7	
8. Η τράπεζα πρέπει να παρέχει τις υπηρεσίες της στον υποσχόμενο χρόνο.	1 — 2 — 3 — 4 — 5— 6— 7	
9. Πρέπει να παρέχει στους πελάτες της αξιόπιστα και ακριβή αρχεία των συναλλαγών σας.	1 — 2 — 3 — 4 — 5— 6— 7	

10. Οι υπάλληλοι της τράπεζας πρέπει να πληροφορούν τους πελάτες για τον ακριβή χρόνο ολοκλήρωσης της αιτούμενης υπηρεσίας . 1 – 2 – 3 – 4 – 5 – 6 – 7
11. Οι υπάλληλοι πρέπει να παρέχουν άμεση εξυπηρέτηση στους πελάτες . 1 – 2 – 3 – 4 – 5 – 6 – 7
12. Οι υπάλληλοι πρέπει να είναι πάντα πρόθυμοι να βοηθήσουν τους πελάτες . 1 – 2 – 3 – 4 – 5 – 6 – 7
13. Οι υπάλληλοι δεν πρέπει να είναι πολύ απασχολημένοι για να ανταποκρίνονται στα αιτήματα των πελατών. 1 – 2 – 3 – 4 – 5 – 6 – 7
14. Οι πελάτες πρέπει να μπορούν να εμπιστευτούν τους υπάλληλους της τράπεζας. 1 – 2 – 3 – 4 – 5 – 6 – 7
15. Οι πελάτες πρέπει να νιώθουν ασφάλεια στις συναλλαγές τους. 1 – 2 – 3 – 4 – 5 – 6 – 7
16. Οι υπάλληλοι πρέπει συνεχώς να έχουν καλούς τρόπους και να είναι ευγενικοί με τους πελάτες. 1 – 2 – 3 – 4 – 5 – 6 – 7
17. Οι υπάλληλοι πρέπει να έχουν τις κατάλληλες γνώσεις για να απαντούν στις ερωτήσεις των πελατών τους. 1 – 2 – 3 – 4 – 5 – 6 – 7
18. Η τράπεζα πρέπει να δίνει στους πελάτες της ιδιαίτερη προσοχή. 1 – 2 – 3 – 4 – 5 – 6 – 7
19. Το ωράριο εργασίας της τράπεζας πρέπει να είναι βολικό για την εξυπηρέτηση όλων των πελατών. 1 – 2 – 3 – 4 – 5 – 6 – 7
20. Η τράπεζα πρέπει να έχει υπάλληλους που να δίνουν στους πελάτες προσωπική εξυπηρέτηση. 1 – 2 – 3 – 4 – 5 – 6 – 7
21. Η τράπεζα πρέπει φροντίζει για το συμφέρον του πελάτη της. 1 – 2 – 3 – 4 – 5 – 6 – 7
22. Οι υπάλληλοι πρέπει να κατανοούν τις ιδιαίτερες ανάγκες των πελατών τους. 1 – 2 – 3 – 4 – 5 – 6 – 7

**Γ. ΟΔΗΓΙΕΣ :** Οι ακόλουθές δηλώσεις αφορούν τις απόψεις σας για τις τραπεζικές υπηρεσίες που λαμβάνετε από το Συνεργατικό Ταμειυτήριο Πάφου( Σ.Τ.Π ).

Παρακαλούμε όπως εκφράσετε το βαθμό που πιστεύετε ότι το Σ.Τ Πάφου κατέχει τα συγκεκριμένα χαρακτηριστικά που περιγράφονται πιο κάτω. Αυτό μπορείτε να το κάνετε διαλέγοντας ένα αριθμό από το 1 έως το 7 αναλόγως της άποψης σας για την κάθε δήλωση. Αν συμφωνείτε απόλυτα με μια δήλωση τότε κυκλώστε τον αριθμό 7. Εάν πάλι διαφωνείτε κάθετα με μια δήλωση τότε διαλέξτε τον αριθμό 1. Αν η άποψη σας είναι λιγότερη δυνατή, τότε διαλέξτε ένα από τους ενδιάμεσους αριθμούς . Δεν υπάρχουν σωστές ή λάθος απαντήσεις. **Μας ενδιαφέρει να δούμε το βαθμό που εκφράζει καλύτερα τις απόψεις σας, από τις υπηρεσίες του Σ.Τ Πάφου.**

1=Διαφωνώ Κάθετα

7= Συμφωνώ Απόλυτα

- |   |                         |
|---|-------------------------|
| 1. Το Σ.Τ Πάφου διαθέτει σύγχρονο εξοπλισμό και τεχνολογία.   | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 2. Το Σ.Τ Πάφου διαθέτει ελκυστικές εγκαταστάσεις .   | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 3. Οι υπάλληλοι του Σ.Τ Πάφου έχουν επαγγελματικό και κομψό ντύσιμο.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 4. Το ενημερωτικό υλικό (βιβλιάρια λογ/σμου, καταστάσεις λογ/σμου, κ.α) του Σ.Τ Πάφου είναι εύκολα κατανοητό και ελκυστικό. | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 5. Όταν το Σ.Τ Πάφου υποσχεθεί να κάνει κάτι σε ορισμένο χρονικό διάστημα, το κάνει.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 6. Οι υπάλληλοι του Σ.Τ Πάφου δείχνουν συμπάθεια και είναι καθησυχαστικοί με τις ανησυχίες των πελατών.                     | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 7. Το Σ.Τ Πάφου είναι αξιόπιστο.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 8. Το Σ.Τ Πάφου παρέχει τις υπηρεσίες του στον υποσχόμενο χρόνο.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 9. Το Σ.Τ Πάφου τηρεί αξιόπιστα και ακριβή αρχεία των συναλλαγών σας.   | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 10. Οι υπάλληλοι του Σ.Τ Πάφου πληροφορούν τους πελάτες για τον ακριβή χρόνο ολοκλήρωσης της αιτούμενης υπηρεσίας .         | 1 — 2 — 3 — 4 — 5— 6— 7 |

11. Οι υπάλληλοι του Σ.Τ Πάφου παρέχουν άμεση εξυπηρέτηση στους πελάτες . 1 – 2 – 3 – 4 – 5– 6– 7
- 12 Οι υπάλληλοι του Σ.Τ Πάφου είναι πάντα πρόθυμοι να βοηθήσουν τους πελάτες . 1 – 2 – 3 – 4 – 5– 6– 7
13. Οι υπάλληλοι του Σ.Τ Πάφου ανταποκρίνονται άμεσα στα αιτήματα των πελατών. 1 – 2 – 3 – 4 – 5– 6– 7
14. Οι πελάτες μπορούν να εμπιστευτούν τους υπάλληλους του Σ.Τ Πάφου . 1 – 2 – 3 – 4 – 5– 6– 7
15. Οι πελάτες νιώθουν ασφάλεια στις συναλλαγές τους με το Σ.Τ Πάφου . 1 – 2 – 3 – 4 – 5– 6– 7
16. Οι υπάλληλοι του Σ.Τ Πάφου έχουν καλή συμπεριφορά και είναι ευγενικοί με τους πελάτες. 1 – 2 – 3 – 4 – 5– 6– 7
17. Οι υπάλληλοι του Σ.Τ Πάφου έχουν τις κατάλληλες γνώσεις για να απαντούν στις ερωτήσεις των πελατών τους. 1 – 2 – 3 – 4 – 5– 6– 7
- 18 Το Σ.Τ Πάφου δίνει στους πελάτες του ιδιαίτερη σημασία. 1 – 2 – 3 – 4 – 5– 6– 7
19. Το ωράριο του Σ.Τ Πάφου είναι βολικό για την εξυπηρέτηση όλων των πελατών. 1 – 2 – 3 – 4 – 5– 6– 7
20. Το Σ.Τ Πάφου έχει υπάλληλους που δίνουν στους πελάτες προσωπική εξυπηρέτηση. 1 – 2 – 3 – 4 – 5– 6– 7
21. Το Σ.Τ Πάφου φροντίζει για το συμφέρον του πελάτη της. 1 – 2 – 3 – 4 – 5– 6– 7
22. Οι υπάλληλοι του Σ.Τ Πάφου κατανοούν τις ιδιαίτερες ανάγκες των πελατών τους. 1 – 2 – 3 – 4 – 5– 6– 7

**Δ. ΟΔΗΓΙΕΣ :** Παρακαλούμε όπως εκφράσετε την απόψη σας για την κάθε δήλωση. Αν συμφωνείτε απόλυτα με μια δήλωση τότε κυκλώστε τον αριθμό 7. Εάν πάλι διαφωνείτε κάθεται με μια δήλωση τότε διαλέξτε τον αριθμό 1. Αν η άποψη σας είναι λιγότερη δυνατή, τότε διαλέξτε ένα από τους ενδιάμεσους αριθμούς . Δεν υπάρχουν σωστές ή λάθος απαντήσεις.

- |   |                         |
|---|-------------------------|
| 1. Η ποιότητα των τραπεζικών υπηρεσιών του Σ.Τ Πάφου σας ικανοποιεί.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 2. Σε σχέση με τις άλλες τράπεζες , οι υπηρεσίες/προϊόντα και τιμές του Σ.Τ Πάφου σας ικανοποιούν.                            | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 3. Την τελευταία φορά που επισκεφθήκατε την τράπεζα μας , ο υπάλληλος που σας εξυπηρέτησε ανταποκρίθηκε στις προσδοκίες σας . | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 4. Θα συνεχίσετε να χρησιμοποιείται το Σ.Τ Πάφου στο μέλλον.  | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 5. Θα συστήνατε τις υπηρεσίες μας σ ένα φίλο σας η ένα μέλος της οικογένειας σας.   | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 6. Θα θεωρούσατε το Σ.Τ Πάφου ως την πρώτη σας επιλογή για τις μελλοντικές σας τραπεζικές ανάγκες .                           | 1 — 2 — 3 — 4 — 5— 6— 7 |
| 7. Η ποιότητα των τραπεζικών υπηρεσιών παίζει σημαντικό ρόλο στην αφοσίωση του πελάτη στη τράπεζα.                            | 1 — 2 — 3 — 4 — 5— 6— 7 |

## Appendix III - Coding of Research Data

<i>Variables – 2<sup>nd</sup> Order</i>	<i>Questionnaire section</i>	<i>Factors – 1<sup>st</sup> Order (Expectation-Perceived)</i>	<i>Question reference</i>
Tangibles	B, C B=Customer Expectations C= Customer Perceptions	Up-to-date equipment Visually appealing physical facilities professional and neat appearance of employees visually appealing and easy to understand Materials associated with the service	1,2,3,4 (Parasuraman et al. 1988)
Reliability	B, C B=Customer Expectations C= Customer Perceptions	Promises to do something by a certain time be sympathetic and reassuring with customers Dependable Provide services at the promised time Accurate and error free records	5,6,7,8,9 (Parasuraman et al. 1988)
Responsiveness	B, C B=Customer Expectations C= Customer Perceptions	Inform for the exact time of performed service Prompt service to customers Always willing to help customers Never too busy to respond to customers' requests	10,11,12,13 (Parasuraman et al. 1988)

Assurance	B, C B=Customer Expectations C= Customer Perceptions	Able to trust the employees of the Bank feel safe in their transactions consistently be well-mannered and polite with customers Have the knowledge to answer customers' questions	14,15,16,17  (Parasuraman et al. 1988)
Empathy	B, C B=Customer Expectations C= Customer Perceptions	Individual attention convenient operating hours personal attention customers' best interests at heart understand their customers' specific needs	18,19,20,21,22  (Parasuraman et al. 1988)
Customer Satisfaction	D	Overall satisfaction from the quality of services Most recent experience Compare with expectations	1,2,3  (Ladhari 2009; Blery et al. 2009)
Loyalty	D	Importance of service quality to loyalty Positive word-of-mouth/Recommend to others First choice for future Do more business in future	4,5,6,7  (Ladhari 2009; Blery et al. 2009)

**Table 10: Coding of Research Data ( Parasuraman et al. 1988; Ladhari 2009; Blery et al. 2009)**



## Appendix IV - Questionnaire Breakdown

### Section 2 & 3 – Servqual Model - 44 Items

#### Tangibles

##### Expectations

1. ExpT1- The bank must have up-to-date equipment.
2. ExpT2- Their physical facilities should be visually appealing
3. ExpT3- The employees must have professional and neat appearance.
4. ExpT4- Materials associated with the service (A/C books, leaflets, Statements) must be visually appealing and easy to understand.

##### Perceptions

1. PerT1 - Paphos Coop Bank has up-to-date equipment.
2. PerT2 - Paphos Coop Bank physical facilities are visually appealing.
3. PerT3 - Paphos Coop Bank employees have professional and neat appearance.
4. PerT4 - Paphos Coop Bank materials (A/C books, leaflets, Statements) associated with their service are visually appealing and easy to understand.

#### Reliability

##### Expectations

5. ExpR1- When the bank promises to do something by a certain time, it should do it.
6. ExpR2- When customers have problems, the bank employees should be sympathetic and reassuring
7. ExpR3- Bank should be dependable
8. ExpR4- The Bank must provide its services at the promised time.
9. ExpR5- It must provide customers accurate and error free records.

##### Perceptions

5. PerR1 - When Paphos Coop Bank promises to do something by a certain time, it does so.
6. PerR2 - When you have problems, the Paphos Coop Bank employees are sympathetic and reassuring.
7. PerR3 - . Paphos Coop Bank is dependable.
8. PerR4 - Paphos Coop Bank provides its services at the promised time.

9. PerR5 - When Paphos Coop Bank promises to do something by a certain time, it does so.

#### Responsiveness

##### Expectations

10. ExpResp1- The employees of the Bank must tell customers exactly when services will be performed

11. ExpResp2- Employees should give prompt service to customers.

12. ExpResp3- Employees should always be willing to help customers

13. ExpResp4- Employees should never be too busy to respond to customers' requests.

##### Perceptions

10. PerResp1 - The employees of Paphos Coop Bank tell customers exactly when services will be performed.

11. PerResp2 - You receive prompt service from Paphos Coop Bank employees.

12. PerResp3 - Employees of Paphos Coop Bank are always willing to help customers.

13. PerResp4 - Employees of Paphos Coop Bank are never too busy to respond to customers' requests.

#### Assurance

##### Expectations

14. ExpAss1- Customers should be able to trust the employees of the Bank.

15. ExpAss2- Customers should feel safe in their transactions.

16. ExpAss3- Employees should consistently be well-mannered and polite with customers.

17. ExpAss4- Employees of the bank will have the knowledge to answer customers' questions.

##### Perceptions

14. PerAss1 - You can trust the employees of Paphos Coop Bank.

15. PerAss2 - You feel safe in your transactions with Paphos Coop Bank employees.

16. PerAss3 - Employees of Paphos Coop Bank are consistently well-mannered and polite with you.

17. PerAss4 - Employees of Paphos Coop Bank have the knowledge to answer to your questions.

## Empathy

### Expectations

18. ExpEM1- The Bank should give customers individual attention.
19. ExpEM2- The Bank's operating hours must be convenient to serve all customers.
20. ExpEM3- The Bank must have employees who are giving customers personal attention.
21. ExpEM4- The Bank must have its customers' best interests at heart.
22. ExpEM5- The employees must understand their customers' specific needs.

### Perceptions

18. PerEM1 - Paphos Coop Bank gives you individual attention.
19. PerEM2 - Paphos Coop Bank operating hours are convenient to all their customers.
20. PerEM3 - Paphos Coop Bank has employees who are giving customers personal attention.
21. PerEM4 - Paphos Coop Bank has its customers' best interests at heart.
22. PerEM5 - Paphos Coop Bank employees understand their customers' specific needs.

## Section 4 – Customer Satisfaction and Loyalty (7 items)

### Satisfaction

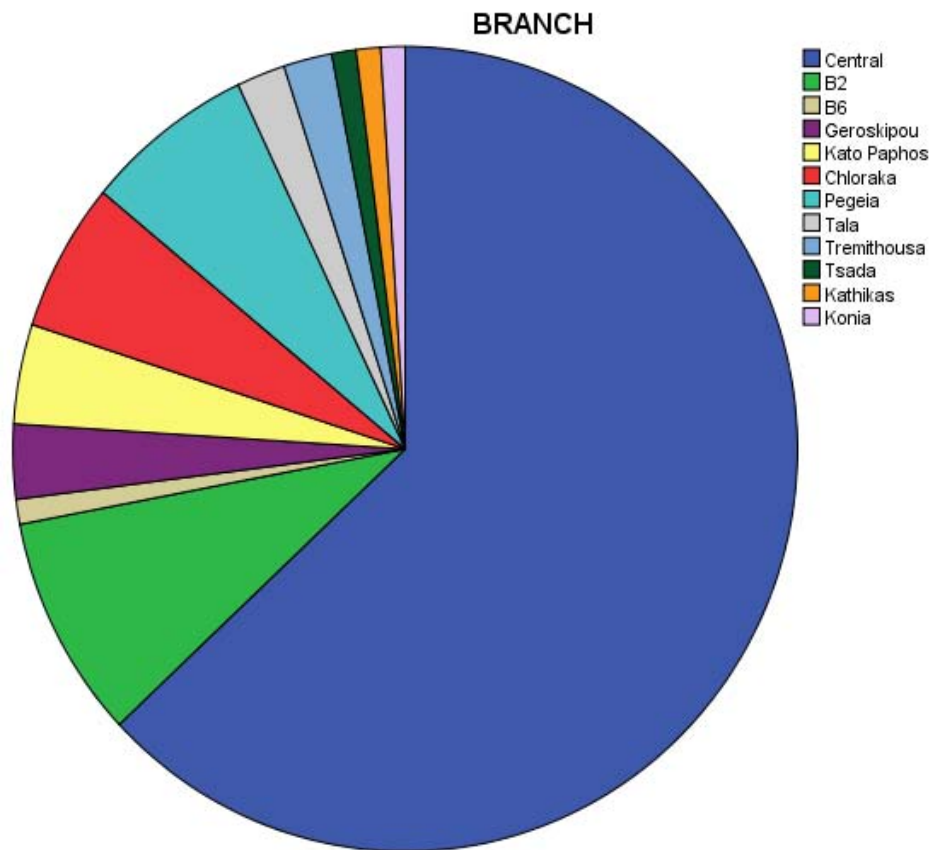
1. Satisfaction 1 - The overall quality of service in Paphos Coop Bank satisfies you.
2. Satisfaction 2- In relation with other banks, Paphos Coop bank's services/products and prices satisfies you.
3. Satisfaction 3 - In your last visit to the bank, the employee that served you has met your expectations.

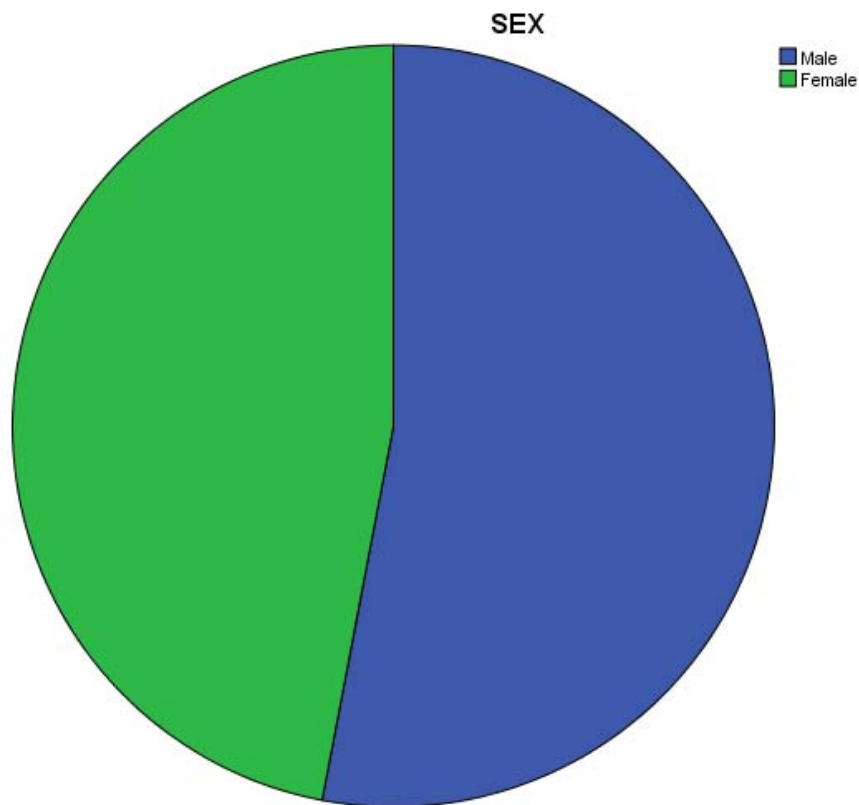
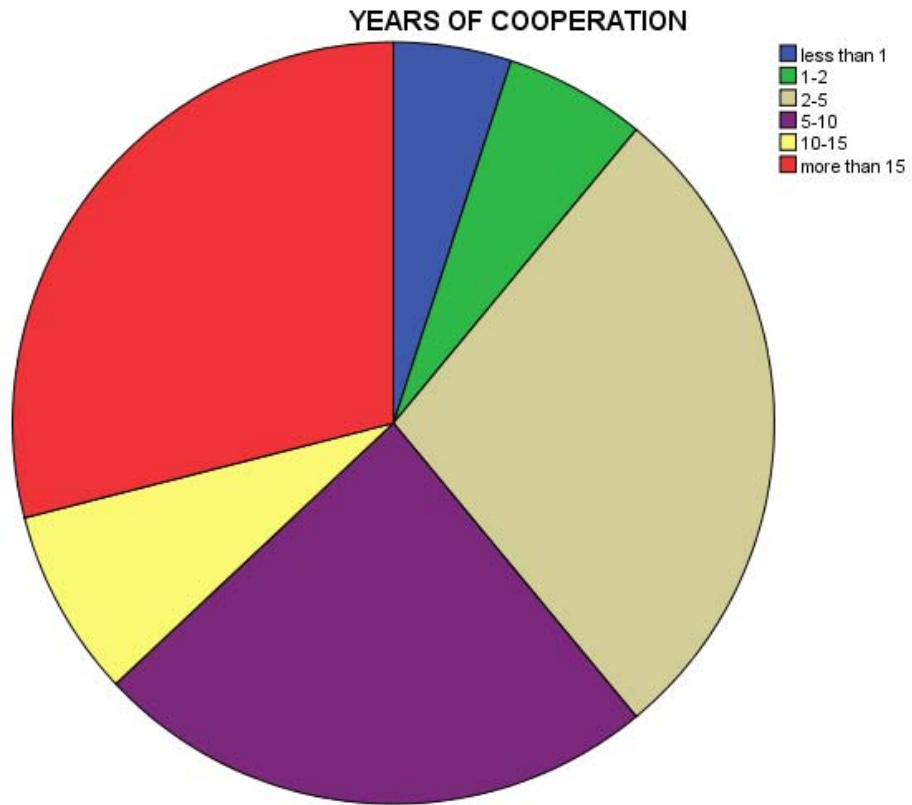
### Loyalty

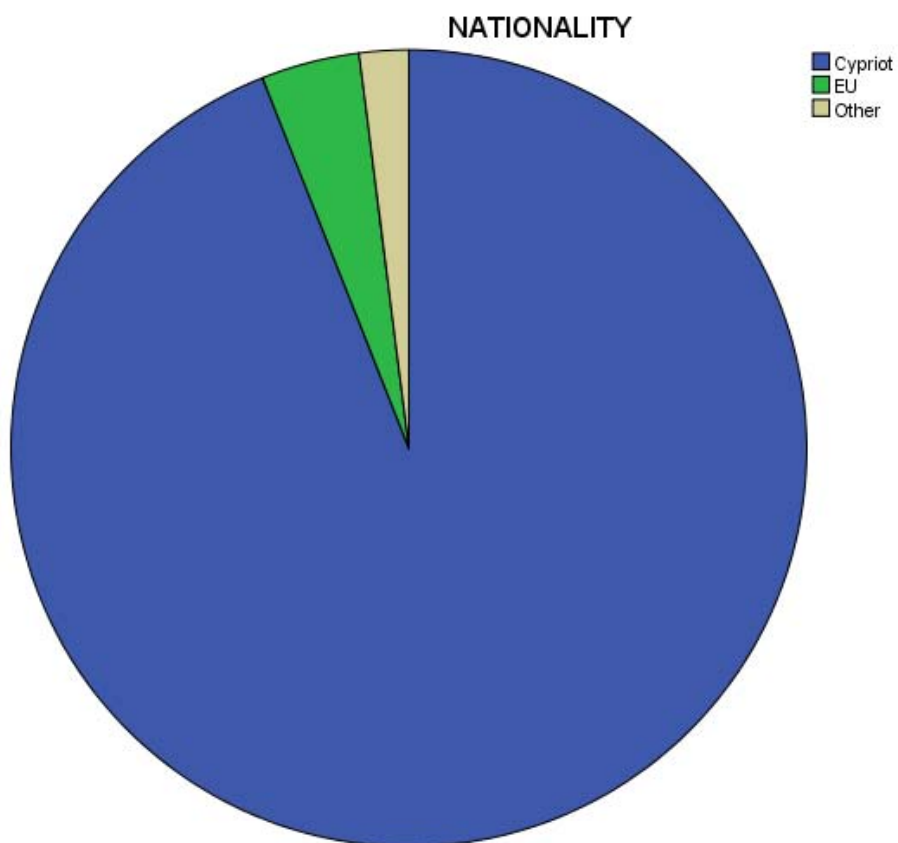
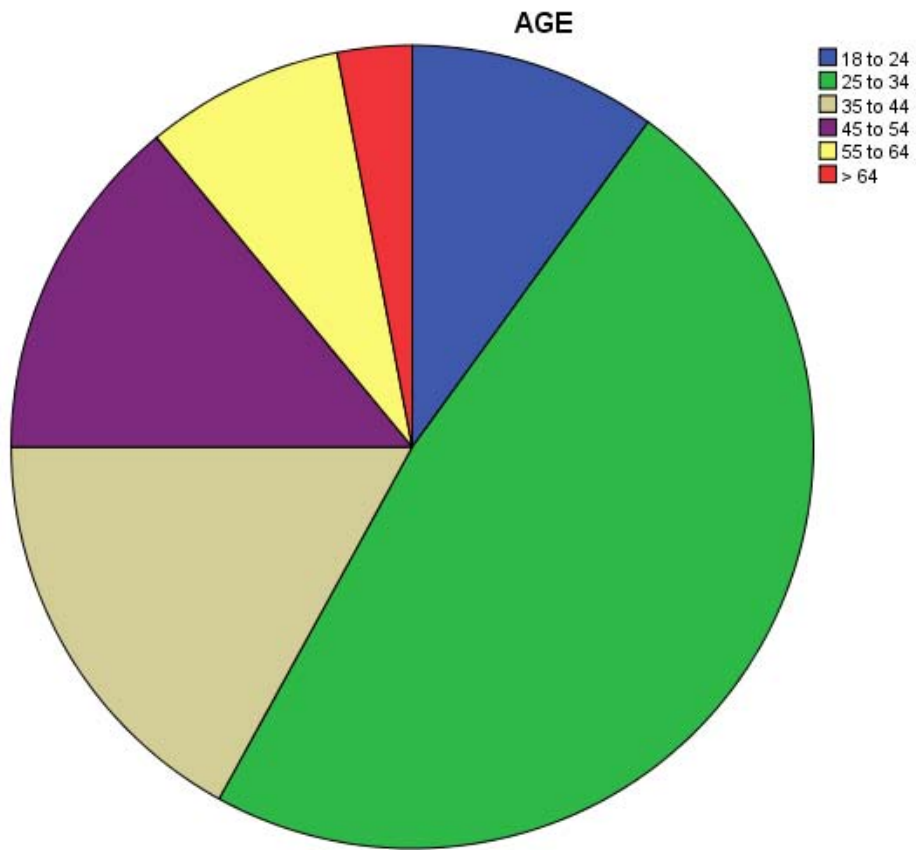
4. Loyalty 1 - You will continue to use Paphos Coop Bank's services in the future.
5. Loyalty 2 - You would recommend our service to a friend or family member
6. Loyalty 3 - You will consider Paphos Coop Bank to be your first choice for your future banking needs.
7. Loyalty 4 - The quality of banking services has great importance to a client's loyalty

## Appendix V - Charts of Descriptive Statistics

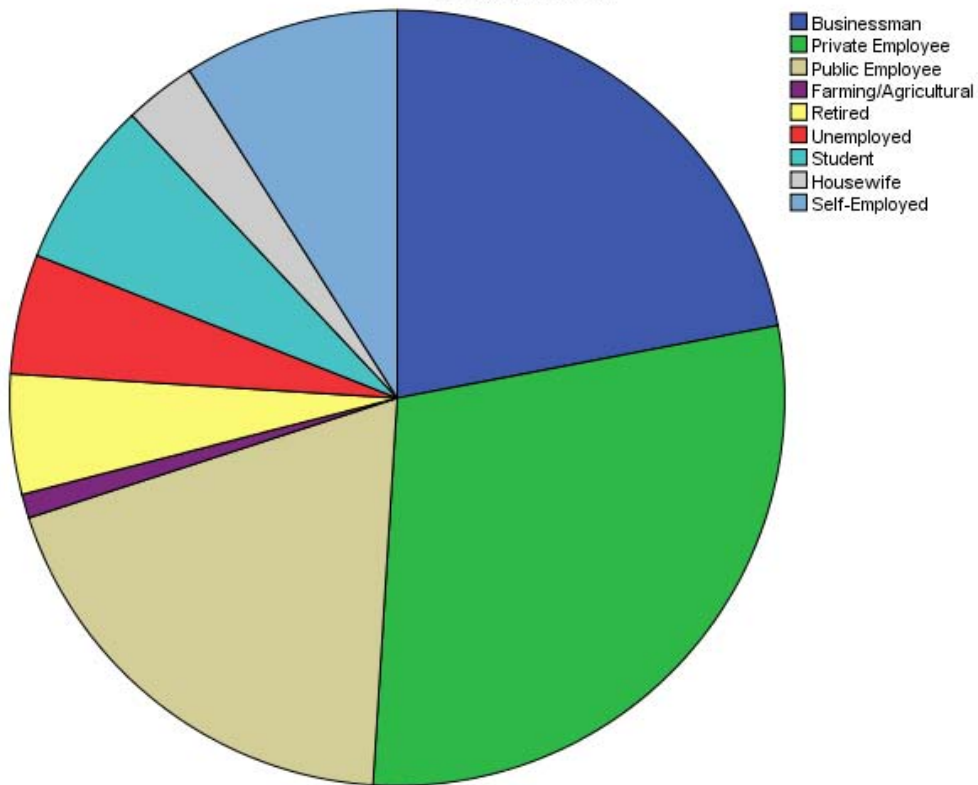
### Pie Chart



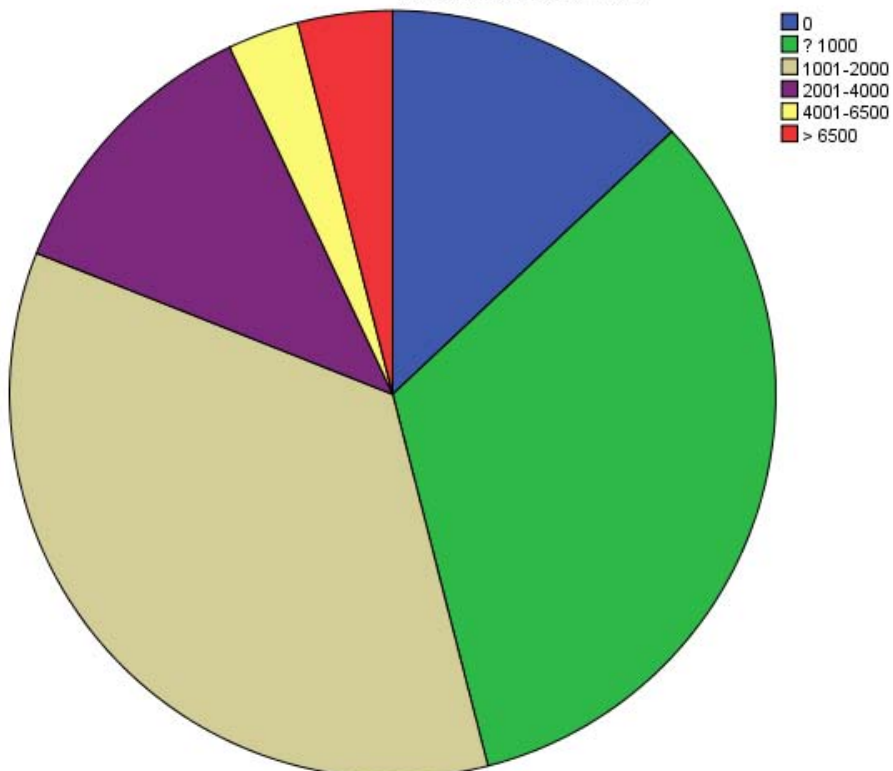




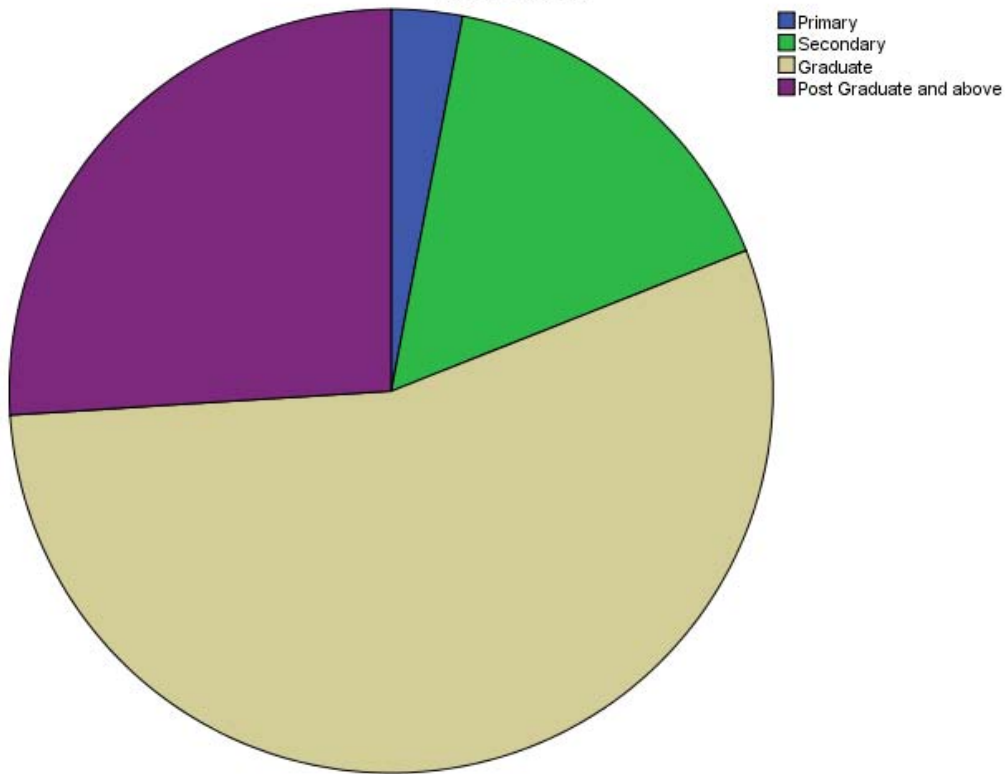
### OCCUPATION



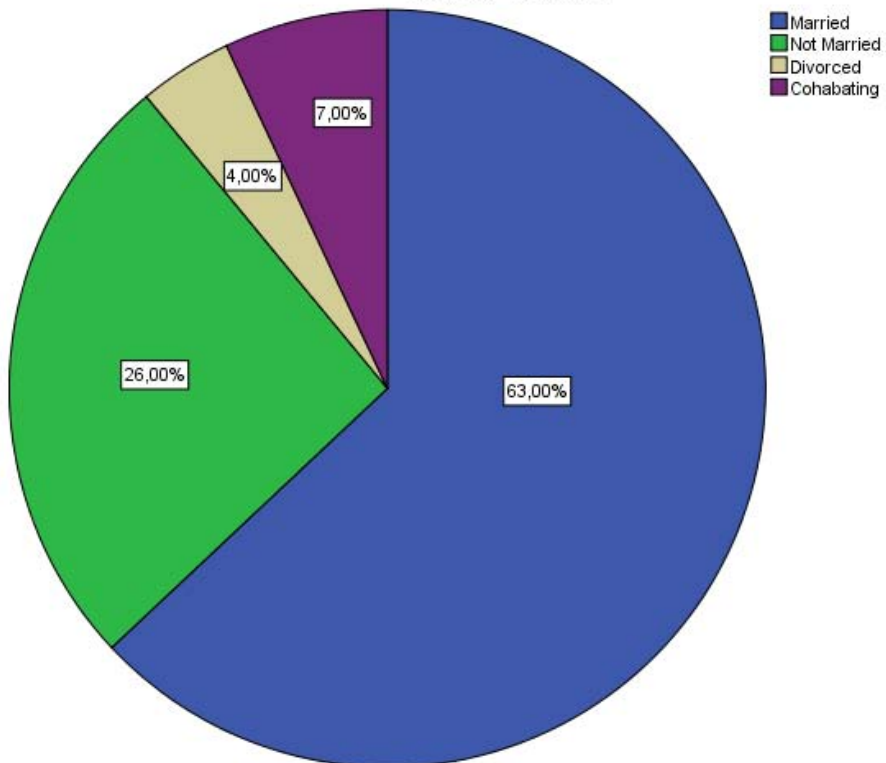
### MONTHLY INCOME



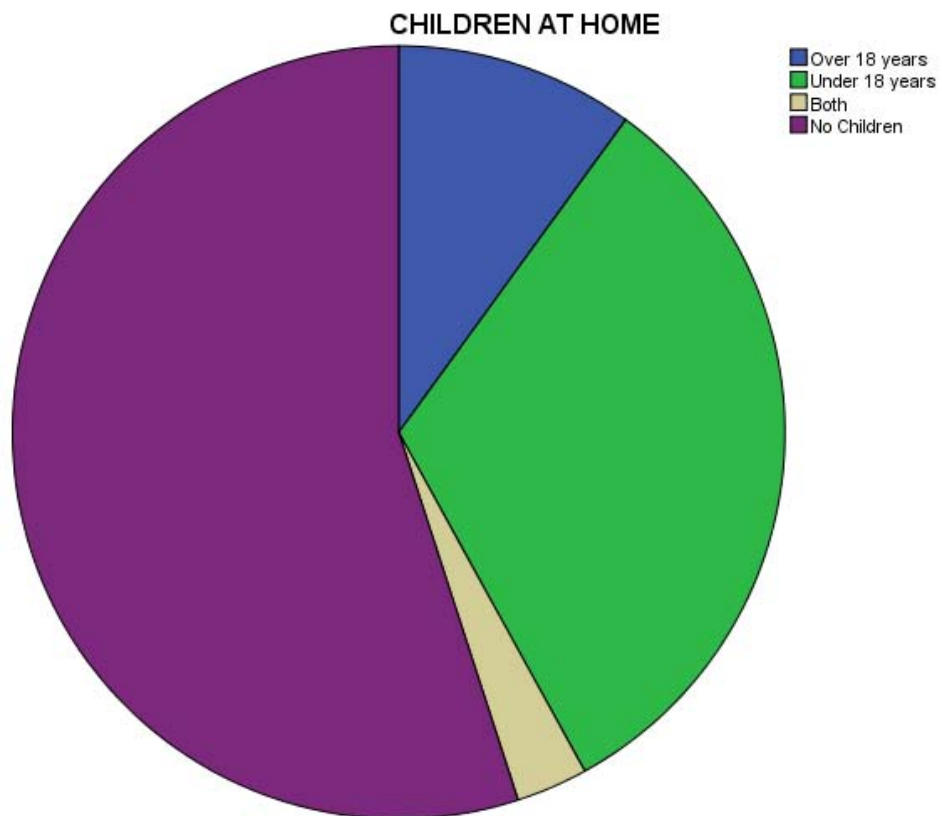
### EDUCATION



### FAMILY STATUS







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FREQUENCIES VARIABLES=DEMO1 DEMO2 DEMO3 DEMO4 DEMO5 DEMO6 DEMO7 DEMO8  
DEMO9 DEMO10  
  /PIECHART PERCENT  
  /ORDER=ANALYSIS.
```