



A Descriptive Study of Service and Delivery Quality in Afghanistan Banks

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A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree Of

Masters of Business Administration

In

Business Department

American University of Afghanistan

June, 201

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I hereby declare that:

- This thesis for the Masters in Business Administration at the American University of Afghanistan is my original work. I wrote this myself under the supervision of the MBA faculty assigned to me by the program director.
- To the best of my knowledge, I have cited accurately all sources I have used for this thesis.
- I have acknowledged those parts of this thesis that are based on the collaborative work with third parties other than my supervisor.
- I have not submitted this thesis or substantial parts of it for a degree or any other qualification at another institution.

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## ABSTRACT

The purpose of the study was to study factors contributing to service quality and delivery in the Afghanistan banking industry. The study was done by the following specific objectives; To Study local bank customer service (CS) behavior and attitude, To Study customers waiting time and product delivery time in local banks, To Explore level of bureaucracy and its impact on service delivery in Afghanistan banking, to Investigate product delivery time in local banks, to Study all local banks products “Quality, standard and Norms” , to evaluate the level of staff knowledge and skills that effects on a decent banking service quality. From the study which was done shows many factors like lack of professional staff, waiting time, marketing strategies of a bank are the factors which effect on service and product quality and delivery. The research methodology used to carry out the research is The combination of both methods (Qualitative and Quantitative). It was focused on customers and employees of different private banks in Afghanistan. From the study finding majority of the respondents as shown by 63.7 percent indicated that lack of professional staff had affected customer service delivery to very great extent 27.3 percent to great extent and 7.6 said to moderate extent.

Furthermore, attitude and behavior of banks` employees, Processing time, employee`s knowledge, marketing strategies of a bank are the factors which effect on service and product delivery.

## CHAPTER ONE

### Introduction

#### 1.1 Introduction

The importance of the banking sector is premised on the ground that banks are the main channels of savings and allocations of credit in economy (Marquez, 2004 & Levine, 1997). By converting deposits in to investment banking sector provides important financial intermediation function in the country and worldwide (King and Levine, 1993a ,1993b). It falls on the banking sector to bridge the gap between savers and borrowers and to perform all tasks associated with the profitable and secure channeling of funds.

In economic and financial development of a country, banks play an important and active role. An effective banking system greatly influences the growth of a country in various sectors of the economy stated by (Malhotra & Mukherjee, 2004). Local Banks know that delivering high quality service to customers is essential in service provider industries specially for success and survival in today's global and competitive banking environment. Research has shown that satisfying customers is not enough to retain them because even satisfied customers 'defect' at a high rate in money industries. Today's customers face a growing range of choices in the products and services they can buy.

Banking is a customer-oriented service industry. A bank depends upon the customers for their survival in the market. Customer service is the differentiating factor and customer is the focused stated by (Guo et al.2008) A bank can differentiate itself from competitors by providing high quality customer service (Naeem & Saif, 2009). Customer satisfaction can be measured by how customer expectation is meeting by the available services. Customer satisfaction is one of the single strongest predications of customer retention. It's considerably more expensive to attract new customers than it is

to keep old ones happy. In a climate of decreasing brand loyalty, understanding customer service and measuring customer satisfaction are very crucial. Customer satisfaction and customer retention have a strong link with each other.

As per Yilmaz (2011, p.184) “Service quality can be defined as the service offering within the context of customer’s perception and expectation and then the durability and sustainability of the service”. To improve the quality of service, it should be measured first, and if in this stage (current quality level) accurate information could be obtained, only then with further steps to decide and find the points need to be improved (Usta & Memis, 2009: 90). As per (Peeler, 1996) “The fact that the perceived quality of the product is becoming the most important competition factor in business world has been the reason of naming the present business era as “Quality Era”. Service quality is multi-dimensional concept. It means different things to different people. The five dimensions of service quality are Tangibility, reliability, responsiveness, assurance and empathy of service quality emerged across a variety of services (Peeler, 1996). Service quality focuses on the standard of service delivery and the interaction between the customer and the service provider, in order to ensure that the customer’s expectations are met. Delivering quality service is considered an essential strategy in today’s competitive environment, because a customer loss is a customer gain for a competitor (Golrou, 2007) Banking service quality must ensure the customer’s satisfaction in order to achieve the customer’s loyalty.

## **1.2 Background**

In Afghanistan the first bank was established in April 1933 which was Bank-e-Milli it was a private bank and during its first eight years’ operating as mono-bank for Afghanistan. In 1933 DAB (Da Afghanistan Bank) was established, combining central banking activities with commercial operations and was founded as state-owned central bank. (SIGAR 14-16 Audit report)

In Afghanistan Banking industry improved during the past 10 years both in state and private banks. There are three state and 16 private banks. These private banks are allowed to work if only can provide standard and international banking services and basic banking service in a national level.

In fact, the back bone of each economy is created by banking services. And in today's business world we even cannot think of this business world without the active operations of banking companies. Their job is not only banking is not only about providing loans and capitals to companies or accepting deposits from public, but the banking field embraces various other activities which are extremely important for today's business world.

Meantime, growth of banking system in Afghanistan is considered to be one of the major achievements in Afghanistan during the past ten years, however there are also serious challenges facing banking in the country such as complicated laws and regulations, not be standardized of banking in Afghanistan, linking of a crisis in a bank to other private banks, revealing of individuals' bank accounts without predict of court and interfering of irrelevant government agencies in banking system. On the other hand, lack of proper supervision over the banking system in Afghanistan is a major issue which led to the collapse of a major bank in Afghanistan six years ago. Kabul Bank collapsed six years back which was later taken over by the Afghan government however the issues of the bank have not been properly resolved.

Though it seems that the above is a means of remaining competitive, not all the banks emphasize on customer's satisfaction and again it only a few banks that have taken the trouble to developed their marketing strategy with regard to how their services should be provided to satisfy customers. The performance Furthermore, advancement and efficiency in technology, resources utilization and service sector has

changed the world in a global village. The banking industry is changing from paper and branch banks to digitized and networked banking services by explosion of this technology. It has already changed the internal accounting and management systems of banks. It is now fundamentally changing the delivery banks' systems use to interact with their customers. Now by taking benefit over E-banking you can accomplish most of the simple banking procedures in minutes and at any time. And in the competitive world, it is a key factor to meet customer satisfaction which is followed by banks. It is one of fundamental principles of quality management. Loyal and satisfied customers bring about stable income for the bank. Thus banks pay special attention to factors such as customer knowledge, customer relationships, and determination of methods for meeting customer satisfaction and for providing suitable Products and services to meet customer needs because Customer is the most important asset of a bank.

To able to survive the prevailing intense competition in the banking industry, what most of the bank attempt to do is to create convenient banking activities for their customers. Such activities include the automated teller machine (ATM), ready cash service, money transfers, online banking, banking via mobile phone, etc. Though these services are virtually duplicated by other banks, what is the focus now is the quality of the service which is provided. This is why, in order to sustain potential and actual customer's business in an environment of competition most banks are now paying more.

Though it seems that the above is a means of remaining competitive, not all the banks emphasize on customer's satisfaction and again it only a few banks that have taken the trouble to developed their marketing strategy with regard to how their services should be provided to satisfy customers. The performance of the commercial bank in the direction has been very credible.

### 1.3 General Objective

Determination of different factors that affected the quality delivery of customer service at Afghanistan banking industry was the general objective of the study.

#### 1.3.1 Specific Objectives

In order to address the research problem, the study was guided by three specific objectives.

To:

- Study the effect of staff motivation on customer service quality and delivery.
- Determine the effect of having professional staff on customer service delivery in Afghanistan local banks.
- Study the effect of staff training on customer service quality and delivery.
- Study the current level of service standards and products quality in Afghanistan local banks.
- To examine the effects of technology on customer service delivery in Afghanistan local banks.

#### 1.3.2 Research Questions

- What are the major factors that influence service quality and delivery in local banks?
- How should banks improve the customer service quality and delivery?
- What is the level of banking service standards in local bank?
- What is customers view about local banks' services standards, quality and delivery time.
- How can Banks maintain the customer satisfaction and loyalty?

#### 1.4 Research Limitation

- We had to be limited in one province due to security issues. Though I tried to do online survey in provinces but due to no internet access I couldn't have responses from other provinces.
- Knowledge level of respondents.
- Time limitation restricted us from widening our information.
- Time limitation of customers during filling the survey.
- The banks policy on keeping some matters confidential has prevented to gather enough data.
- Few people in Afghanistan use banking

## CHAPTER TWO

### Literature Review

#### 2.1 Introduction

This chapter reviews the concepts, theories and other information that is essential for this study, the chapter consists of nine sections which are mentioned below:

The purpose of this chapter is to review concepts, theories and other essential information which could be applied to find the components of banks standard service, factors effecting banks service delivery and review of banks service and products delivery in banking sector of regional countries like India, Pakistan, Bangladesh and Sri Lanka.

#### 2.2 Service Standards

According to Palmer (2000), “services are products which are essentially intangible and cannot be owned”. Cannon (1998), viewed services as those separately identified, essentially intangible activities which provide want satisfaction and which are not necessarily tied to the sales of a product or another service. Jobber (2001), viewed service as “any deed, performance or effort carried out for the customer”. From the definitions as presented by the various authorities, it is clear that they all emphasize that service is essentially intangible. The idea of service therefore is focused on the intangibility element and which essentially Provides want satisfaction to the customer. Customer-Defined Standards: Operations standards are established to match the expectations and priorities that come from customers rather than to company concerns such as efficiency or productivity.

Service standards are commitments to a specific level of service that you can expect to receive under normal circumstances.

### 2.3 Components of service standards

Service standards can be different through countries but what is most common and we can call components of service standards are: Products/services processing time (To reduce service processing time), Products and services efficiency, and Products and services effectiveness.

#### 2.3.1 Products and service processing time

Processing times are the lengths of time it takes to deliver a product or service to customers. Creating a good customer or employee experience comes down to how quickly and accurately you can respond to their needs. If a bank's method for serving its clients or employee are insufficient and its processing time for opening accounts and on boarding employee is slow, chances are it risks losing them to competitors who focus on shortening processing time and giving customers and employees more value: faster access to money, loans, account information, employee benefits and services.

Furthermore; Advancement and efficiency in technology, resources utilization and service sector has changed the world in a global village. This explosion of technology is changing the banking industry from paper and branch banks to digitized and networked banking services which has already changed the bank's internal accounting and management systems. It is now fundamentally changing the delivery banks' systems use to interact with their customers. Now by taking assistance over E-banking you can accomplish most of the primary and simple banking procedures in minutes and at any time.

### **2.3.2 Product and service efficiency**

Drucker has practically stated the variation between effectiveness and efficiency. He refers to “doing things right” as efficiency. In his definition of this term, a measure of efficiency appraises the organization’s ability to achieve the output (s) considering the minimum inputs level. In other words, Chan defines efficiency in the literature of management as utilization of resources (Labor, Machine, Capacity, and Energy). He expresses that, using the resources at best, brings the saving in money and time, and consequently leads to improve company’s performance.

Efficiency shows the performance defines a process that uses the lowest amount of inputs to create the greatest amount of outputs. Efficiency relates to the use of all inputs in producing any given output, including personal time and energy. Efficiency is a measurable concept that by determining the ratio of useful output to total input it can be determined. It minimizes the waste of resources such as physical materials, energy and time, while successfully achieving the desired output. Retail banking customers expect more personal and relevant communications from financial institutions that recognize their unique needs. They want each interaction to be timely and efficient. Banks that deliver a personalized experience will not only retain current customers longer, but also will maximize the potential long-term value of these customers.

### **2.3.3 Product and service effectiveness**

Determining the effectiveness is more difficult than efficiency since due to definition, the relation between input and output to outcome is defined as effectiveness.

“Doing the right things” and choice the activities in proper way are defined as effectiveness. Also, effectiveness measures the firm’s ability to gain prearranged objectives and goals. In simple description, an organization enumerates effective where it attains its goals. On the other hand, creating value for customer can be one of the main goals of banks which is often connected to effectiveness and primarily impacts on the output of productivity relation and also, simply “the degree to which desired results are achieved”. Moreover, sometimes it’s pointed out to degree to which requirements of customers are satisfied. In other words, assessing the satisfaction of customer is basic to the effective services and delivery.

#### **2.3.4 Measurement of service standard**

Many of us have heard the sage advice “You can’t manage what you don’t measure.” How do you know if your customer service is living up to customer expectations? Still wagon, 2015 stated that KPIs are the answer how to measure our service standards or customer satisfaction. They will help you to know your customer expectations Different ones will make more sense for different types of businesses. Below is a list of different KPIs your business might consider using to measure customer service.

**Overall Satisfaction:** By surveying the customers regularly on their satisfaction you can measure how many of the customers would rate their level of satisfaction as very or extremely satisfied. The more customers with highly experience rate, the better your customer service is.

**Satisfaction Improvement:** To track changes in customer satisfaction over time is one way to measure customer service. If, for example, you observe that satisfaction is going each year for couple of years then you’ll realize that change is

likely in order. But you are observing improvement, or if you've achieved high levels of customer satisfaction and they're staying unchanged, then you'll realize that you're on the right way.

**Customer Retention:** Happy customers or Customers who satisfied of the service you provide will be always stick around and do more business with you. And if you're bringing back a reasonable amount of customers regularly, that's very good signal that you're providing good customer service.

**Net Promoter Score:** Customers who are delighted with your customer service are even going a step further and recommend your company to others. So your company's Net Promoter Score, or rate of people recommending your business to others, can be a good hint of where your customer service stands and is another method to measure customer service.

**Conversion Rate:** After interaction of any customer service member with a customer r, how expected was they to make a purchase or some other kind of action? If your customer service is good, this number should be enough high.

**Compared to Competitors:** Even customers who like and are interested with your brand might not buy or purchase your product over your competitors always. So general satisfaction and customer retention are good metrics to measure service, it's still important to know how your company is different and is rocking over your competitors.

**Average Resolution Time:** For providing great customer service resolving issues on spot or in a timely manner is the most important way. If you can respond to customers quickly, they will be pleased with the experience. So, if you can keep

that resolution time quite low, that could be a sign of good customer service and another way to measure customer service.

**Active Issues:** If you are able to resolve most issues fairly quickly, then you shouldn't have too many issues to deal with at any one time. And if you do, then it could indicate that your customers have a higher-than-usual volume of complaints.

**Resolved Issues:** It is also a good idea to look at all the issues resolved by the customer service to get an idea of your customer service. It is good for every company no matter how big or small the company is, there are bound to be issues and complaints. But if you solved them on spot or with no much delay and in a way that makes your customers happy, that's a sign of good service.

**Employee Productivity:** For measuring employee productivity, the method differs in each firm based on the types of businesses. But it's an important factor when it comes to customer service. To solve customer related issues promptly to gain their satisfaction each employee should do their job effectively.

**Employee Retention/Employee Turnover:** When your employees are happy, they tend to stick around. And when you are able to keep employees around for long periods of time, they're more likely to feel comfortable and empowered in their jobs.

**Brand Attributes:** How do customers view your company overall? What words would they use to describe your brand? And how do their opinions line up with your expectations? By getting such sort of feedback from customers, you can measure your firm's customer service and get an indication of your value with your customers. And you'll know what changes or improvements you have to being to get customers to see your brand in that particular light.

Complaint Escalation Rate: No matter how great your firm or service is, you're going to get complains. But if some time you reach a point where you receive an unusually large number of complains, or your complaints have been steadily increasing without overall customer growth, there could be a problem work to improve and solve the problem and Keep an eye on how those numbers change over time. This could also tie in to the number of resolved issues, if you're tracking that, as well.

## 2.4 Service Quality

Service quality is an increasingly important factor for organizational performance, success and survival in the banking sector. It has received wide recognition by the researchers over the last decade in the retail banking sector. Kasper, Helsdingen and Varies (1999) defined service quality as the degree to which the service offered can satisfy the expectations of the user. According to these definitions, customers are the sole judges of service quality if they perceived good service, they became satisfied.

### 2.4.1 Service quality and Customer Satisfaction

By reliability, functionality, responsiveness service design and assurances the quality of service can be evaluated, and also the reviewed can be done with help of the GAP (SERVQUAL).

Quality and satisfaction concepts have been linked to customer behavioral intention willingness to spread positive word of mouth referral, and complaint intention by many researchers.

Quality is an ability of a set of inherent characteristics of product, system or process to fulfill requirements of customers and other interested parties.

Customer satisfaction is appraised by service facility and accessories, convenience and Supporting service, customer value and customer loyalty. Service quality are inter related with customer satisfaction. Customer satisfaction is generally described as the full meeting of one's expectations.

Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. For about two decades, customer satisfaction has been an intensively deliberated topic in the field and more during this period more than 1200 articles have been published in this area. As per (Swan& Trawick, 1993)

“A basic problem for the investigation of the satisfaction – retention link is that, after more than two decades of theory development, there is still no widely accepted consensus on the satisfaction construct”. Reliability and functionality are the important service quality factors. However, service design is not considered as most essential factor. Conversely, on the basis of standard deviation, functionality is most significant factor. Customer satisfaction and service quality have linear relationship. The following tips can be provided to boost the service quality in the banking sectors. It is very important for Manager of the bank or administrative body to identify the primary quality determinants, clearly managing the customer expectation, educating the knowledge to customer regarding to the service.

Customer satisfaction and service quality are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are studying, evaluating and implementing marketing strategies are improving customer satisfaction and maximizing share of customers to have

positive effect on the financial performance for the firm. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today 's competitive market. Not remarkably, considerable research is conducted on Customer satisfaction and service quality which are most important elements in achieving organizational goals. Organization tries to have endless satisfied customer with the service provided by it. Because of, service quality plays a pivotal role in determining customer satisfaction. Quality services are most important facets hence, the quality should be understood and manage throughout the services of an organization.

#### **2.4.2 Impact of service quality**

In the banking circumstance Service quality is mainly essential because it provides a high level of customer satisfaction, and both customer satisfaction and service quality are competitive advantage in banking sector. (Ahmossawi, 2001). Today, in the business world the quality of products and services consumed has a great importance.

#### **2.4.3 Measurement of quality**

To understand and assess the results of efforts realized, quality of production should be measurable. While the quality of goods can easily be measured by taking into account of certain physical properties, the measurement for Services is rather difficult because the quality in this case depends on large number of factors (Aga & Safakli, 2007).

#### **2.4.4 Components of service quality**

Service quality is made of two components – Technical quality and Functional quality. Technical quality refers to what the service provider delivers during the service provision while functional quality is how the service employee provides the service.

Parasuraman et al (1988) define service quality as a difference between customer's expectation of service and customers' perceptions of the actual service. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001). And also Service quality has a considerable impact on a bank's success and performance (Mouawad & Kleiner, 1996).

#### **2.4.5. Importance of service Quality**

Each bank is having a variety of services, due to this differentiation, services in this industry could not be standardized, and moreover these services are intangible in nature which could not be compared or seen. The expectation of service and the perceived service result may not be equal, thus leaving a gap. Determinants which influence the appearance of a gap which were described by Parasuraman, Zeithaml and Berry are as follow:

- Competence is possession of the required skills and knowledge to perform the service.
- Courtesy refers to factors such as politeness, respect, consideration and friendliness of the contact personnel.
- Credibility refers to factors such as trustworthiness, believability and honesty. It involves having the customer's best interest at heart. It may be influenced by

company name, company reputation and the personal characteristics of the contact personnel.

- Security represents the customer's freedom from danger, risk and doubt including physical safety, financial security and confidentiality.
- Access refers to approachability and ease of contact.
- Communication means both talking to customers in a language understand and also listening to customers. A company may need to adjust its language for the varying needs of its customers. Information might include for example, explanation of the service and its cost, the relationships between services and costs and assurances as to the way problems are effectively managed, knowing the customer means making an effort to understand the customer's individual needs, providing individual attention, recognizing the customer when they arrive and soon "Tangibles" are the physical confirmation of the service for example, the presence of physical facilities , instruments and appearance of work force and communication materials and the presence of different customers in the service facility
- Reliability is the ability to perform the promised service in a dependable and accurate manner.
- Responsiveness refers to the willingness of employees to help customer and to provide prompt timely service.

Public sector banks suggest: increase human resources, hire skilled and young staff, and bringing technological improvements.

Foreign banks employees suggest: train employees on interpersonal relationships, focus on other classes of society than focusing only on HNI customers and increase the number of branch.

Private sector bank employees suggest: recruit employees who are well versed in local languages, increase number of branches nation-wide including rural area, improvement in technology and infrastructure.

- According to the research done top three challenges faced to deliver service as expected by customers are:

Public sector banks face big challenges in providing quick service, handling customer's attitude and difficulty in communicating with customers.

Foreign banks face challenges with regards to high expectations of customers' non-recovery of loans and maintaining rapport and communication with customers.

- Private sector banks face challenges in quick service, making customers understand rules and regulations and convincing customers in loan sanctioning and recovery of loans.

According to the research done in India, customer's perception about banks from various dimensions is: foreign banks are noted high by customers in all the service quality dimensions. Public sector banks have been rated second in all parameters except that of responsiveness and private banks standard the last in all the parameters.

#### **2.4.6 Approaches to achieve level of customer satisfaction**

As service quality is an important and key factor of customer satisfaction, and improves customer satisfaction increase, so most researchers suggest that a high quality of service should be delivered by the service. Out of many dimensions on which satisfaction is based is "Quality".and on future quality perception satisfaction Was also one potential (Clemes, 2008). As per Sulieman (2011) statement "reliability, tangibility, responsiveness and assurance have significant

and positive relationship with customer satisfaction”. Meanwhile empathy is Found to have a significant and negative effect on customer satisfaction. Moreover, the Result of Ravichandran et al. (2010) has indicated responsiveness is the only significant

Dimension of service quality that affects the satisfaction of customers positively.

## **2.5 Bank service and product delivery**

According to Phillip Kotler et al (1999), service is any activity or benefit that one party can offer it to another that is essentially intangible and may not result in the ownership of anything. In the option of Etzel, Walker, and Stanton (1997), service are the identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers.

Bank service delivery is concerned with the provision of quality service to customers obviously one of the factors that separates competitors from the other in the world banking industry is their level of service delivery. This is because service delivery determines the level of customer satisfaction and consequently, the customer patronage of any bank. The patronage by customers on the service delivered by a given bank, no doubt is a function of the satisfaction they so derive from it. Satisfaction in relation to bank service delivery is the customer evaluation of the service in terms of whether that service met their needs and expectations (Babatunde and Olukemi, 2012). A happy and satisfied customers behave in a positive manner. The effect of service delivery by banking industry or any other service provider firm and the satisfaction derivable by the customers are becoming distinctive. Given that the contemporary customers are more informed than ever

before, Leboef (1987) posited that meeting their expectation as regards satisfaction is increasingly becoming more difficult.

According to Woldie (2003), “bank customers in Nigeria have been found to be dissatisfied with the quality, of services provided by banks”. This calls for the need to actually investigate how customers behave or get satisfied with regards to the services of commercial banks in Nigeria. No doubt that information from current technologies in banking operation has improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently. Technological innovations in the service industries enabled the organizations to deliver services efficiently and effectively. To improve the service quality adopting the technology must and the best way (Tether, Miles, Blind, Hipp, Christiana, Karlsruhe, Liso and Cainelli, 2001). In Banking sector technological innovations are taking the shape of trend as the whole sector is making huge investments in technology in order to gain customer satisfaction and to build strong reputation among the customers. Technological innovations are very important in order to survive in this competitive environment (Joseph, McClure and Joseph, 1999). Technological innovations are also necessary because they improve the service quality and service quality is an important aspect of any organization. Service quality is ambiguous and is not distinguished clearly, but every organization want to achieve high quality service provision as its. Banking sector is shifting form manual area to technology because of technological shift. Technological innovations have reduced the time and manual efforts in contrast to manual banking service demand. As banking sector is the one of the busiest sector in the world so more manpower is required to bring the efficiency in the services.

In manual service delivery customers need to wait for long time in lines which decreases the productivity of service delivery and it is much time consuming. Technological innovations brought fastest ways to deliver a service and in return got the high service quality and customer satisfaction (Zeithmal, parasuraman and Malhotra, 2000). In the banking sector profitability is directly and highly related to quality of service delivery. So, it is important to monitor and enhance the services to bring improvements and deliver services efficiently. Internet is one of the technological innovations which have really contributed in the information technology and has created uprising in the world. Internet adoption in the service sector has reduced the time, communication and distance constraints. Internet has also imposed banking sector to improve their performance and increase the service efficiency. Dynamic changes in the global economic and cultural environment have motivated the banks to assess technology and the strategies of internet banking (Khan & Mahaputra, 2009).

### **2.5.1 Factors effecting service delivery**

According to Steve (2001), “the delivery of a service typically involves six factors: The accountable service provider and his service suppliers, equipment used to provide the service, the physical facilities, the requesting service consumer, other customers at the service delivery location, customer contact the service encounter is defined as all activities involved in the service delivery process”.

The bellow factors are also affecting service and product delivery:

- Delivery Time

Customers are becoming more attracted to quality service delivery and are being impatience and unsatisfied when they had to be delayed or wait for longer times

before they are served. Hence, Quality Service Delivery is of utmost importance to every service organization especially financial industry. Most financial institutions focus on product innovation at the expense of lead time management which is a major factor in ensuring service quality and customer satisfaction.

Time is a constant and a fix factor of production that is simultaneously present with other factors of production. Time is cheap but can be costly, fixed, not renewable, irreplaceable nor replenish able. Any organization that places a lot of emphasis on the importance and the above attributes of time stands the chance of gaining competitive advantage with “time”. In order for Commercial banks to take advantage of these competitive attributes of time, they must allocate critical resources into distinct competencies necessary for effective utilization of time (Rushton et al., 2010). Harrison & Van Hoek (2008) suggested three meanings of time concepts: Delivery time, Time as an indicator of resource utilization and Time as a resource.

- Customer Satisfaction

In today’s increasingly competitive environment, quality service and customer satisfaction are critical to corporate organizations. Delivering high quality service is linked to increased profits, cost savings and corporate image. Customer satisfaction is the route to endure high performance. Organizations should be aware of the fact that customer dissatisfaction leads to defection and long term losses. Ensuring quality customer service is not only depending to a person or a group of staff but is everybody’s business in the organization. However, it is the top management responsibility of creating an environment that fosters customer driven services in a customer oriented organization.

In addition, Quality customer service leads to customer satisfaction. Customer satisfaction plays a vital role for any organization in today's competitive environment. Customers' satisfaction leads to customer loyalty and retention. They should try and maintain a relationship with the customers who will lead to a long term relationship and mutual benefits to the bank. Further, human resource factors are positively influencing the quality of customer service in the bank through the performance of the employees.

- Customer Service Behavior/Knowledge

Good customer service is the heart and secret of banking service delivery. Banking is customer-oriented business and noble customer service is the key to banks' growth and stability (Mr. Mukherjee). Customer Service staff should be committed to provide services that value all customers, including attitude knowledge, technical support and quality of service. According to Mitchell (2003) "you can have the best service philosophy in the world, but if you don't have great players to execute it, you've lost the game Whether a customer contact through call, email, tweeter or LinkedIn." according to the American Express 2014 Global Customer Service Barometer, "86% of surveyed consumers say excellent customer service is provided when the customer service representative (CSR) provides the right answer to the customer's question. CSRs who deliver tenacity are heroes for both their organizations and the customer, and this is powered by having access to the right knowledge to deliver to the customer at the time, and on the channel, of their convenience".

- Role of Information and Communication technology ICT

The relationship concerning Information and Communication Technology and bank`s service delivery can be in different inspections and outcomes like: ICT can bring down the operational costs of the banks (the cost advantage). Like internet technology provides facilitates to facilitate and speeds up banks procedures to accomplish their goals and standardize low value added transactions such as bill payments and balance inquiries processes via online network. Moreover, ICT can promote transactions between customers within the same network (the network effect).

Interestingly, ICT in particular play an important role in the financial industry and this is one reason why the banking sector is among the most intensive in deploying ICT .With the increase of Internet services and cash machines available in various locations, the most recurring problems have been mitigated and, in some cases, solved; as an effect, the volume of customer services increased became easier, and the customer experience turned out to be more comfortable. It is noticeable that the new technologies, particularly in ICT, enabled banks to deliver service customers not only in branches and other dedicated servicing sites, but also in domiciles, work places and stop and shop stores, as well as in a myriad of other channels.

## **2.6 Impact of bank staff behavior on attracting customers**

According to the modern perception of the employees in the organization, employees are considered the greatest asset of a company because their satisfaction has close relation with customer satisfaction. Thus, the company must inspire and motivate them for the best performance\_ (Salmi.1998). Job satisfaction represents individual`s feeling towards his work as stated in (Ahmadi, 2006) “This feeling reflects the degree of interaction characteristics between the individual and the job and the organization”

There are several factors affecting the satisfaction of individuals the most important are:

- The potential of the individual, knowledge and work skills lead to satisfaction.
- having good Individual relationship with each other will enhance the satisfaction of their work.
- Wages and salaries: mostly the worker satisfaction increase whenever the level of income increased.
- Development and promotions opportunities available to the individuals will achieve high degree of satisfaction. (Saqr, 1978)

Good services have two sides which have closely connection with one another first is Employee satisfaction and second is Customer Satisfaction. It means when the staffs of the banks are happy and get pleasure of doing work, certainly they offer the best quality for the customers and finally new customers will be attracted. ((Baker, 2006).

(Armstrong, 1991) Defines employment satisfaction and motivation as building orientation and attention to customers through employees by training and motivation of all staff, the front lines and back lines as team work. Therefore, management must take correct procedures in training and attracting employees, considering their needs well, providing them with incentives, and provide a comfortable atmosphere for them while they are working in order to ensure their satisfaction. It will lead to better productivity and thus satisfy the needs of customers and attain their loyalty. Satisfaction of employee is very important for providing service for customer satisfaction and providing service. This culture can

be achieved through good organizational procedures the enhancement of employee's satisfaction.

Service and products are the link between the banks and the customers.

Ibrahim Khartabiel, 2014 expressed that:

The clients act via service delivered by the banks. So the banks must increase the employment training. Moral incentives, good motivation program; to focus and increase the study of personal trait a behavior of employment needs such as: locus of control, self-esteem, need for achievement, need for clarity, need for autonomy, growth need to serve customers just on time to show the spirit of friendship with customers; to keep up to date the modern technology.

Jomo Kenyatta added: for employees' satisfaction, the managers in the bank must motivate their workers and staff in order to perform well. The employees are motivated well by monetary rewards. Most of the time they don't work perfectly because they are not appreciated and did not receive any kinds of rewards. Finally, the outcome will be delivering poor service quality to the customers. Monetary rewards significantly affect the performance of the employee in the organization.

### **2.6.1 Importance of good service delivery**

Richard Shapiro is the founder and president of the center for client retention and author of the forthcoming book, "the welcome edge: (vantage point, 2012). He believes that it's your employees' personal relationships with customers that delivers the best customer service.

Too many companies don't give value to service delivery quality and don't understand that delivering excellent customer service is one of the key ingredients for repeat business, it's that special personal relationship with one customers and

one associate that provides the link between customer satisfaction and customer retention “He said “the service delivered by frontline associates must be viewed as the first step in the journey of loyalty. The success of any organization bank is to find investigate the service delivery from the people or customers. As much as we have customers we will have success, this is the thing that every bank predicates about, and so any bank that has lots of customers has lots of success. The reality is that the number of bank inside a country increases twice the value of customer orbital.

Delivering excellent service to bank's customers affect their satisfaction and their choice of banking. For banks to increase, both product and service delivery must be sufficiently aligned with customer expectations: achieving customer satisfaction and loyalty is essential for long-term survival (Reichheld, 2003). It's impossible to form a close working relationship with client or customer that is why customer service is of spirited importance. Clients should feel valued, wanted and loved. This is not just about how you handled a transaction. It's also about a relationship with people who are an essential part of everything you do (Woods, 1999).

The aim that how much the customer deposit their money in the bank it directly increase the value of the bank, today the reality is this, that as much you have the customer it increase the value of the bank inside the market strategy, today the customers have lots of facilities to compare any kind of services so if you want to create or you want to have a good relationship between customer and bank so you have to concentrate on the strategy of services and the benefit which is received by the customer. Your customers are the reason your company exists: serving and retaining them is essential. A recent JD Power retail banking

satisfaction study shows that the most common reason customers switch bank is poor customer service in 2010. Of respondents, 37% who changed their primary bank did so because of poor customer service at their previous bank.

### **2.6.2 Ways of improving bank's service**

As stated by Scott (2002), "Customer service is a sequence of activities deliberated to enhance the level of customer satisfaction, that is, the feeling that a product or service has met the customer expectation". Customers are the heart of every successful business and therefore businesses need to more concentrate on customers more than ever. High customer service factors can be divided into two broad groups as tangible and intangible factors. The tangible factors may concern performance, quality, reliability, cost of services and convenience. The intangible factors may be status or reputation, sense of caring, courtesy, alacrity to help, problem solving ability of staff, etc. The tangible and the intangible factors primarily focus on the point about customer's perception about how he/she is being treated by a bank. Is the bank being fair to him/her in matters of interest rates, penalties, service charges and that he/she has not to fear any hidden costs and charges at a later date. Based on the findings and other observation made, continuous improvement of the quality of human resources through on the job training is needed. Bank officials in all departments of Local Banks must be given customer service training to get the understanding of how important customers are to the bank. Trainings needed for banks employees in different zone to be more customer-centric. If we focus on improving the knowledge of our employees, it will directly effect on customer satisfactions. For improving the sense of caring to customers.

- An Independent unit should be created to handle creation, implementation, monitoring and control of customer service strategies. And also to promote the problem solving ability of staff.
- Banks should identify channels that are most important to their customers, and provide positive experience across them. This will help banks leverage their distribution networks by offering the right products to the right customer segment through a desired channel. Banking customers are increasingly expecting more convenience, accessibility, personalization, and reliability across the distribution channel network and we could provide a better service by making their expectations real.
- New researches should be start on how to attract loyal customers, corporate solution for companies and in other parts.
- Customers are face with lack of awareness about electronic banking, so we need to use billboards and social Medias for increasing their knowledge about how to use electronic banking. By this, we can transfer them this idea that using electronic banking is cost effective and time saving.

Use technology and bring innovations into our banking services. The importance of technology in banking became obvious when developed countries that had involved IT in its banking operations managed to reduce their costs of operations and manage their customer better.

## 2.7 Effects of Technology on Customer Service Delivery

Technological innovations such as information based new technologies have revolutionized many industries. The banking sector as it is an information based industry gathering and analyzing of information in the sector has been greatly impacted by technology. Technology can be said to be all the software and

hardware that an organization needs to make use of to achieve its goals. In the business context, it can have said to be “a set of interrelated components that collect (or retrieve), store, and distribute information to support decision making and control in an organization” (Laudon and Laudon, 2010).

Ige (2005) defines Information Technology (IT) is defined by Ige (2005) as the use of electronic ways to handle information. This information can be accessed, delivered, transferred and stored in electronic ways. Langdon and Langdon, (2006) further states that IT is the use of interrelated components to process, distribute, collect and store information used for decision making. Technology banking is the use of automated electronic communications ways to enable banking customers access new and old banking services and products (Sathye, 2009). Technology banking also consists of the use of technology based banking systems by customers which allow them to access their accounts, obtain banking products and services information and also transacts banking based business. Laudon and Laudon, (2011) emphasis that managers cannot ignore information systems in the modern organizations as they play a critical role for the success of contemporary firms. In today’s banking, total automation has become an important strategy that enables banks to improve their profits. In addition to the achievement of this primary objective, automation of banking services also enables banks to survive in the modern competitive environment and also enhance the provision of efficient and quality services to customers. Technology is important for the performance of the major functions in the banking sector. This makes the adoption of technology an important decision so that banks can compete at par with other banks (Casu, 2006).

This rapid progress in the use of technology is bringing new transformation in the way that banks are able to deliver their services.

Today, the banking industry has seen a lot of new innovative technologies. Some of the services provided by technological means in the banking sector include; Internet banking, ATMs, telephone banking, mobile money and branch network among others services. According to Chou and Chou (2000) there are five major services offered by banking sector that can be associated with technological innovation which has led to faster services by domestic and foreign banks; request of credit advances by customers, paying bills, ordering checks, transfer of funds between different accounts and viewing account balances together with transaction histories. Technology has led to a lower transaction processing cost enabling the banks to make more profits due to creation of new products and services for their customers. Technology has also allowed easy access of information and products and services by banking customers and investors. This has led to the growth of customer base for the banking sector to include customers who are outside the country (Mishkin and Eakins, 2009).

The use of technology and new communication networks has led to a change in the way operations are done in the banks and other financial institutions (Yasuharu, 2003). Technology has made it convenient for banking customers to access their accounts anywhere and at any time. Thus, customers can use banking services even on weekends. Customers do not have to rush to the banks on Friday evening as they can still transact during the weekends. Additionally, technology has led to real time information exchange and has led to the improvement of banks performance (Yasuharu, 2003).

However, despite the numerous advantages technology has offered to the banking sector, the sector also experiences some challenges especially in regard to the storage, retrieval and processing of data. The use of technology in the banking sector does not only lead to benefits but it is also characterized by some challenges (Yasuharu, 2003). It is no secret that the banking sector in Kenya has been able to reap some benefits brought about by technology in the sector. There are many institutions that have made great investment in information technology and banks have not been left behind as they have put a lot of money in information technology to have the service and products they offer supported by IT. It is thus important for the banks to identify the investments they have made in it and the role this technology plays in the sector (Mishkin and Eakins, 2009).

### **2.7.1 Effects of Information Technology on Banking Service Delivery Quality**

The banking sector should anticipate challenges when adopting the use of technology so as to increase the possibility of success when using different forms of technology. Bradley and Stewart (2003), note that in the 21<sup>st</sup> century, many of the world banks use some form of technology. The research also found out that small banks have reaped great benefits from the emergence and use of technology. This conclusion is echoed by Vainio (2006) who concludes that the use of technology to provide services by small banks help them to gain a competitive advantage.

Poon (2008) notes that security and privacy in technological banking are the main source of dissatisfaction among banking customers and thus influence the satisfaction of customers. However, advantages of technological banking that has yielded satisfaction from customers include better content provision of banking

services, convenience, design and easier accessibility. E-banking success can also be affected by the banks speed in offering ebanking services, the operational management of the e-banking services, the cost of using e banking for the customer and product features on the e-banking platform.

## 2.8 A review of service quality and delivery in India

The entry of private and foreign banks, the nature of functioning of these banks and the promotional attempts to these banks has changed the landscape of the banking sector in India. In respect to customer services there are notable perceived differences. Increased competition, highly educated consumers, and increase in standard of living are forcing many businesses to review their customer service strategy. In all industries, when competitors are roughly matched, those with stress on customer's service will win. e-banking has changed the quality of services a lot compared to traditional banking services. Internet banking, mobile banking, automated teller machine, electronic fund transfer has totally changed the way of providing services by the banks. A customer will have an expectation of the service determined by factors such as recommendations, personal needs and past experiences.

The customer knowledge in India is getting high day by day because they know the technologies which are used around the world so expectations are getting higher as well from their banks. During the past two decades or so, regulatory, structural and technological factors have significantly changed the banking environment in India. Providing high service quality is the most important thing now Indian banks paying attention. Actually coming more banks in India has prepared the environment for competition and the one who performed well, well

attract much. New players in form of private and foreign banks have changed the banking system during the last three decades.

Foreign banks are the leading banks in India because of their well services and, private and then public banks are after them. And survey has found that business class has given a high rating to the quality banking services but homemakers' respondents had the least satisfaction.

A significant observation is that customers with income of more than Rs.15 Lakh have expressed a very high level of satisfaction in respect to the services banks. Delhi got the highest score. It means three major cities; Delhi, Bangalore and Kalkata are above the average. Pune reveals a score which is less than the above. It seems in the trade cities the services are delivered well. The banking industry in India is facing certain challenges i.e. challenges of quality service, customer satisfaction, customer retention, customer loyalty, quality service plays a major role in an achieving customer satisfaction and creating brand loyalty in banking sector (Nagabhushanam, Bangalore). The competition among local and foreign banks has improved the level of standard living of the people. kind of game changer. Furthermore, it added the Reliability, Responsiveness and Assurance are found to be the most vital and strategic determinants of service quality and customer satisfaction for both public and private sector banks.

## 2.9 A review of service quality and delivery in Pakistan

Service quality strongly depends on employee's commitment with the organization in all in service sectors and also training and development of skills and leaning abilities to perform the tasks efficiently and commendably and also the employees' promise to providing superior services to the customers to enhance

customers' satisfaction. A satisfied and motivated employee, when interacted with the customer's perception about high quality service.

In most of studies, service quality is measured in five key dimensions: tangibles, reliability, responsiveness, assurance and empathy which are termed as SERVQUAL. There should be strong relationship between an organization and employee which will lead to a real improvement in the services provided to the customers. Services are intangible and it is more difficult to measure it physically as compared to the products. Service quality is delivery of superior services to their customers according to their desire and expectations. For the service organizations Service quality has become a key to success and a motivated human resource played an important role for delivering superior quality service by identifying the needs and wants of their customers.

Bank Service and Products delivery are always a very important sector for banking sector of every economy. Same is the case with Pakistan as well. Pakistan today has an impressive banking network in all over the country comprising of a State Bank, which is a federal entity and has a central role in the banking sector of Pakistan. State bank has a wide range of various private limited and national commercial and other banks that deal in specific areas such as agriculture, consumer finance and other financial institutions. However, Banking System of Pakistan has adopted rough and tough policies.

The state banks of Pakistan monitor regulate and control the activities and operations of all the commercial banks in Pakistan. State bank of Pakistan has a set of regulations which are to be followed by all the banks in the country these regulations are called "Prudential Regulations."

Other important banking decisions such as discount rates and minimum reserves which must be maintained by every bank are also made by the state bank of Pakistan. State bank of Pakistan also hold the federal reserve of the county and also lends money to the government and other commercial banks in the country. Now Pakistani banks are prospering and providing very good customer services to its customers like online banking, mobile banking etc. ATM cards and debit plus credit cards have totally changed the banking experience in the country.

For branchless banking Pakistan has become one of the fastest growing markets in the World. These developments include increased competition, technological innovation, new business models, transformation in customers' needs and behaviors, and regulatory proportionality.

In Pakistan, the people who open the account in the bank they have their different needs and requirements of account according to their income. So, one account is not best for all the people.

#### [2.10 A review of Service Quality and delivery in Bangladesh](#)

In Bangladesh the financial system is mainly bank dependent. After the liberation, the whole banking system faced a wide ranging of banking reforms. Perhaps the biggest reform took place in the 1996 when the banking reform committee under the Bangladesh bank decided to give license to private commercial banks to meet the growing customer 's demand. The banking industry is now a mixed one comprising nationalized, private, and foreign commercial banks.

In the last decade a significant number of private commercial banks started their operation and faced tremendous growth due to the dismissal performance of the government banks.

In the Bangladesh, customers in the banking sector are in a strong bargaining position due to the significant growth of banks (roughly there are about 35 private commercial banks). This is also leading to stiff competition among the commercial banks which calls for paying more attention to customer satisfaction by carefully improving the service quality of banks.

The customer services determinant has insignificant relationship with service quality. The possibly explanation given to this peculiarity is the urgency attitude of customers in receiving customer service. Explicitly, the more customized service is requested the more time is required to receive the service. Furthermore, the urgency attitude of the customers might be linked to the structural behavior of the sample area.

Being the capital of Bangladesh most of the trading activities take place in Dhaka city and thus customer have urgency to carry out the banking activities as quickly as possible within office hours. This proposition can also be applied to the dimension of technology and security. While the technological advances are supposed to increase the efficiency of rendering the banking service, it has been observed, repeating the tasks manually are delaying the service delivery. The inter-correlations among the determinants of service had produced positive result.

Finally, as regards to quality and satisfaction and satisfaction and loyalty the high values achieved indicated that, to a great extent, customer who perceive service quality will be satisfied and will remain be loyal with the bank.

Since the study developed 29 variables appropriate with the nature of the banking service of Bangladesh, the bank managers can use this instrument to assess the bank service quality.

Moreover, the positive correlation among the four determinants of service quality indicated that bank managers should emphasize all the service quality determinants in maintaining and improving the service quality that they provide.

The banking sector plays a vital role to the national economy in Bangladesh, since it contributes to different sectors through disbursement, recovery and trends of growth of credit and promotes the country's overall economic development in general. Bangladesh inherited an interest-based banking system from the British Colony and right after its independence in 1971, the country experienced a new trend in banking which is evident even today (Siddiquee et al. 2013).

### 2.11 A review of bank service quality and delivery in Sri Lanka

In Sri Lankan economy, banking sectors play most significant role and also they faced more competition. If they continue to exist in the market, they need to maintain high level customer satisfaction. Customer satisfaction and service quality are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving customer satisfaction and maximizing share of customers in view of the beneficial effects on the financial performance for the firm. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market.

Afghanistan is a country which has passed almost three decades of war and has been destroyed in all areas including banking sector. The first bank in the modern sense in Afghanistan was established in April 1933. When Bank-e-Millie Afghan (Afghan National Bank) was established, during its first eight years, this privately-owned institution served as a mono-bank for the country, combining central banking activities with commercial operations. In 1939 (DAB) Da Afghanistan Bank was formally founded as a state-owned central bank. Afghanistan for the past three decades didn't have suitable and stable banking system inside the country to make the banking market better and to protect national benefit of Afghanistan.

After 2001, the banking sector once again has been created and played a significant role in people's lives. Moreover, the banking system has been familiarized to the people and new technologies that were common in the west and made the financial transaction so easy and feasible. As we know the banking sector provides important financial intermediation function by converting deposits into productive investments, in the past 10 years there have been a huge growth and development in banking services and as well establishment of the private banks. And in last ten years three state-owned and 16 private banks are providing banking services to public in the country and it has been called one of the biggest government's achievements in the country.

Though, the banking system is still in its childhood and actually do not have more than 15 years' ages of banking experience in a country like Afghanistan whereas, more than 40 percent of the people are illiterate and also only 7 percent of the population have access to banking services/products, but it proved itself that

can play an essential role in the economy and people's lives. And it still needs to work hard and try always to deliver the best and high quality services/products to the customers and bring facilities to the people. To be noted, the services/products are the links between the banks and their customers. So delivering quality service to customers is a key point for success and survival in today's competitive banking environment. In Addition, today the customers face a growing range of choices in the products and services they can buy. Hence, if a bank wants to keep its customers, it must deliver high quality and standard services to its customers and make them satisfied because if they feel poor quality, they will change their banks and it will be the biggest loss for a financial organization (bank). Furthermore, a bank stands on its number of customers so the management board must take this point so serious and always try their best to deliver the best services/products.

It is crystal clear that the banking services create the backbone of each economy. We cannot imagine today's business world without the active operations of banking companies.

The aim of this research is to study local banks behavior and attitudes against customers that how can they provide customers necessities and satisfactions to their standard services and products delivery. In addition, to evaluate the products/services processing time and customers services effectiveness (to reduce the level of bureaucracy, decrease knowledge in Local banks customers waiting time in local banks and to increase market share through gaining customers attractions), and we can maintain banks efficiencies by cost minimization, profit maximization and managerial utility maximization.

## Chapter Three

### Research Methodology

#### 3.1 Introduction

This chapter reviews the research methodology and design used to conduct this study. There are different methods and approaches for collecting and analyzing a research data. In this paper the researcher used a combination of methods for collecting and analyzing primary data.

#### 3.2 Research methodology for this research

The researcher used “Mixed methods choice combining data collection techniques and analysis procedures”. A combination of qualitative and quantitative data collection, data collection techniques interviewed in depth (qualitatively) and questionnaire (quantitatively). The qualitative data analyzed, and followed by quantitative analysis. The impression that the researcher got from qualitative results helped in development of questionnaire (quantitative data).

#### 3.3 Qualitative data

The questionnaire was designed for three reasons: To explore the ways of developing customer services in order to achieve the customer’s satisfaction, to verify the ways to make positive changes in customer service of banks and to evaluate the level of staff knowledge and skills that effects on a decent service quality. Moreover, the qualitative questionnaire helped the researcher to develop a survey questionnaire on the most important factors contributing to service quality and delivery in banking industry of Afghanistan.

#### 3.4 Quantitative data

The questionnaire was designed for measuring the most important factors contributing to service quality and delivery in Banking industry of Afghanistan in

order to verify approaches to make positive changes in customer service of a bank, to evaluate the opinion of customers about quality of customer services and service delivery and to explore the approaches of developing customer services in order to achieve the customer's satisfaction. In this research 100 common customers and 262 different private banks customers were interviewed and filled the survey questionnaire. Moreover, 30 senior managers of top private banks of Afghanistan were surveyed through questionnaire. The questionnaire was filled both in face-to-face interview and paper based survey questionnaires.

Responses from managers, professionals of the banks helped the researcher to understand the internal factors that can play a major role in increasing the level of banking service quality in Afghanistan. Moreover, the input from face-to-face interview with bank managers and bank professionals to come up with recommendations and suggest areas are potential to enhance the level of service quality in banking industry of Afghanistan.

### 3.5 Data Analysis

Qualitative data gathered from interviewers were analyzed using comparative tabular finding common themes from interviewers' response, while obtained quantitative data were analyzed by using Microsoft Excel statistic techniques include, bar charts, pie charts and percentage.

### 3.6 Sample and sample size

According to White (2000) sampling strategies fall into two categories "random and non-random". White, (2000) further described that in random sampling strategy there is an equal chance for member of population to be selected,

while in non-random strategy sample selected based on a specified eligibility criterion.

In this research 262 common people and 100 different private banks customers were interviewed and filled the survey questionnaire. Moreover, 30 senior managers of top private banks of Afghanistan were surveyed through questionnaire. The paper based questionnaires are collected from different districts of Kabul province. Common people was selected because to know where people are aware of banks and having account or no. Banks customers were selected to know the current service quality and delivery in local banks. The researcher also conducted in - depth interviews with senior managers of Ghazanfar Bank, Afghan United Bank, Maiwand Bank and Azizi Bank and University professors.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION

#### 4.1 Introduction

This chapter discusses the interpretations of the finding. The findings which are related to services standards and the important factors contributing to service quality and delivery in Afghanistan local banks are discussed using descriptive statistics.

The main objective of this chapter is to answer the research questions. The data collection methodology for this research was self-administrated survey questionnaire and interview.

Comparative Tabular Forms

- Table 1: Bank Experts Comparative Tabular Form

Interviewer1

Qualification	PHD (Banking)
Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	The formations that banks have, they all are service quality.
Q2: Situation of Banking service quality in Afghanistan	Situation of banking service quality in Afghanistan is good, especially in private banks.
Q3: Approaches for a better banking service quality	Fast and hard working in banks can cause better service quality in the banks.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Services can be in national level or international level, especially the banks that have branches in foreign countries; they are related to outside or foreign countries.

Q5:Evaluation of people’s vision about banks in Afghanistan	People do not have positive idea about banks, thereby increasing of public awareness and education is required in order to decrease this problem.
Q6: Assessment of Local Bank's Standards Level	Banking standard is means to compare one bank with other local market or the international market, when comparing Afghanistan banks with other local markets it is far behind from international markets. Standard banks use new technology use modern system and their customers are satisfied. But in Afghanistan the systems are very weak, people don’t believe to banks, customers not satisfied from the behavior and the services.
Q7:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	Banks play a key role in economy of every country and society, and nowadays people are dependent to the new technology so they expect more from banks to offer better services for them.
Q8:Approaches for creating positive changes in service quality of banking industry in Afghanistan	Having simple but useful services and satisfying all the customers are approaches for creating positive changes in banking service quality of the country
Q9: Factors affecting on banks services/products delivery	Customer satisfaction, branch capabilities, economy systems, tax low to increase the services of bank to reach the customer that we have this product and services by marketing on the media. (Awareness

	of customers) and the location of branch the interest rate of banks and the good services and standard services the offer or delivery for customers
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Interviewer 2

Qualification	PHD (Economics)
Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	Service Quality for a bank is providing a product or service with a reasonable and standard way to increase the attraction level of customers.
Q2: Situation of Banking service quality in Afghanistan	Private banks provide better services than governmental banks in Afghanistan but bankruptcy of Kabul bank caused a negative impact on other private banks as well.
Q3: Approaches for a better banking service quality	The best way for increasing banking service quality is that staff should be responsible for their works and have the knowledge of performing efficiently. Banks can also bring positive impacts by central bank.

<p>Q4: Comparison of banking service quality in Afghanistan and regional countries</p>	<p>For withdrawing or transferring money from account the customers have to wait hours in Afghanistan but other regional countries improved much more from aforesaid perspective.</p>
<p>Q5: Evaluation of people's vision about banks in Afghanistan</p>	<p>Banking sectors facilitate people's work, therefore they have a good vision but still there are some problems that should be focused on.</p>
<p>Q6: Assessment of Local Bank's Standards Level</p>	<p>Since 1383 (After making of new banking rules), local banking system has been improved but not too much. Every local bank is trying to reach itself to standard banking system. Currently there are 18 private banks in Afghanistan and all of them are in serious competition. From my point of view, Standard banking is a bank which can deliver good services/products with high quality, on time, efficiently and effectively and less time, that bank is a standard bank. To be noted that doing according to the needs of people and society is another traits of standard banking. Unfortunately, the banking system is facing one major problem which is, the capacity in the market is so low and we can't deliver the standard services as we want.</p>
<p>Q7: Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers</p>	<p>It facilitates work of people especially in transferring or keeping their money safe as well as it helps in investment increment in better and optimal ways.</p>

Q8: Approaches for creating positive changes in service quality of banking industry in Afghanistan	Banks should provide service based on customer needs and knowledge of using it.
Q9: Factors affecting on banks services/products delivery	The banks should have a good reputation in the market, good rating level in Da Afghanistan, deliver good and on time services to their customers. I mean do according to their customers and society's needs.

### Interview 3

Qualification	DAB president
Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	Bank is an association that collects people's savings and later on uses these processes for economic growth and development of a country in several ways.
Q2: Situation of Banking service quality in Afghanistan	Banking service quality in Afghanistan is better despite lack of decent security and knowledge of people, and in recent years' banks have been achieving much more improvements in Afghanistan

	because now banks offer electronic banking. These all are new emerged technologies in banking sector that are being used in developed countries.
Q3: Approaches for a better banking service quality	Banks should invest in decent ways for providing better service quality and have innovations in their services. They should have more investment on building capacity and in order to provide better services to customers, banks should increase Islamic banking in the country.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Afghanistan is headmost in banking to compare with neighbor and regional countries in some arena.
Q5: Evaluation of people's vision about banks in Afghanistan	People have a negative vision about banking system in Afghanistan. Bankruptcy of Kabul bank a very bad effect on banking system in the country.
Q6: Assessment of Local Bank's Standards Level	After 2001 the banking system in Afghanistan had a significant development especially private banks that they are in competition with one another in delivering high level services/products and to attract a large number of customers in the market. But, unfortunately Afghanistan local banks are still far behind from standard level, as standard banking main characteristics are delivering services in a short time and easy accessibility across the country. As we see while getting salary employees create a big line in banks and wait too much. On the other hand, local banking services is not accessible in all province and districts. growth and development of a country in several ways.

<p>Q7:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers</p>	<p>There is a facility of transferring money not physically but via master cards and debit cards saving money became very easy than carrying money to the bank, and same is when people want to check their money in their account, all these are possible via electronic facilities, ATM machines and other electronic equipment that can attract customers.</p>
<p>Q8:Approaches for creating positive changes in service quality of banking industry in Afghanistan</p>	<p>Banks should have innovations in their services and behave with customers in a good manner as well as level of knowledge staff, and experience level of staff are the factors that are contributing service quality in banks.</p>
<p>Q9: Factors affecting on banks services/products delivery</p>	<p>Accessibility of the bank, high qualified employees, modern technology, and good behavior of customer service department and training of staffs are the main factors that affect high level delivery of services/products. On the other hand, bureaucracy has a bad effect on better service/products delivery it decreases the speed of service/products delivery in the banks. However, banks can reduce the level of bureaucracy by hiring qualified and honest employees, training of staffs and trust on employees of the bank.</p>

Interview 4

<p>Qualification</p>	<p>MBA(Finance)</p>
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Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	Service quality is to create facilities in daily transaction of bank customers
Q2: Situation of Banking service quality in Afghanistan	The situation of Service quality in Afghanistan is good, but it also depends to the bank itself, thus every bank should pave facilities of some academic programs and offer all the facilities they have in their access in a best manner in order to cause convenience for customers in the country.
Q3: Approaches for a better banking service quality	Banks must have better service quality. Banks should focus on Islamic banking and government must have specific policies for the banks as well.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Banks from expansion perspective in regional countries are better than Afghanistan.
Q5: Evaluation of people's vision about banks in Afghanistan	People turn to the banks which are popular in delivery of services. Generally, there are two reasons that people do not want to save their money in banks, firstly the management problems and secondly the political and economic situation of the country.
Q6: Assessment of Local Bank's Standards Level	The standards of banking are based on some elements, which are set by Da Afghanistan Bank to all private banks to be followed. And according to these standards foreign banks deal with local banks, if

	<p>there would be any vacuum in local banks services/ standards, the foreign banks would not deal with Afghanistan local banks. A lot of development has occurred in Afghanistan banking system, most of the services which are being delivered in developed countries are now our local banks delving as well. Moreover, some of local banks problem is due to political disorders and not usage of modern technology to deliver high level of standards services. Finally, I evaluate the current situation and standard level of banks in a good way.</p>
<p>Q7: Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers</p>	<p>Service quality is the fundamental element of business, and Banks should compete in delivering of better service quality with other banks in order to attract more customers.</p>
<p>Q8: Approaches for creating positive changes in service quality of banking industry in Afghanistan</p>	<p>Banks should have good and simple policies of giving loan thus they could attract more customers. As much as banks have better policy of giving loan, the service quality will be also better.</p>
<p>Q9: Factors affecting on banks services/products delivery</p>	<p>The effective indexes for delivering better services are: high qualified employees, usage of modern technology, secure banking system, implementation of banking institutions, expanding the bank services across the country.</p>

**Key themes emerging (key themes)**

<p>Q1: Concept of Banking Service Quality</p>	<p>Formation of banks, caring of customer’s needs, collecting people’s saving for investment, economic growth and development are all banking service quality.</p>
<p>Q2: Situation of Banking service quality in Afghanistan</p>	<p>Situation of banking service quality is good in Afghanistan, especially in private banks. Based on people’s knowledge it will be going to modernism.</p>
<p>Q3: Approaches for a better banking service quality</p>	<p>Fast and hard working in banks, Increasing Islamic banking and high level of staff knowledge are approaches for a better banking service quality. Investment in better and decent ways as well as investment on building capacity are also the approaches for a better banking service quality</p>
<p>Q4: Comparison of banking service quality in Afghanistan and regional countries</p>	<p>Services can be in national level or international level. There is still problem of time in withdrawing or transferring money in Afghanistan to compare with regional countries.</p> <p>Afghanistan are headmost in banking to compare with neighbor and regional countries in some product and services.</p>

<p>Q5:Evaluation of people’s vision about banks in Afghanistan</p>	<p>People do not have positive vision about banking in Afghanistan. There are two reasons that people do not want to save their money in banks firstly the management problems and secondly the political and economic situation of the country. People have bad vision about banks in the country because bankruptcy of Kabul bank had a very bad effect on banking system.</p>
<p>Q6: Assessment of Local Bank's Standards Level</p>	<p>The Banking system in Afghanistan had a significant development especially private banks. We can consider the standard banks by comparing with other national and international markets and banks which if we look Afghanistan accordingly we can find that we are far from standard levels but still we are growing and standard level of banking is in a good way.</p>
<p>Q7:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers</p>	<p>Service quality is the fundamental element of business, it facilitates work of people, and plays a key role in each sector of a country specially in banking sector. There is a facility of</p>

	<p>transferring money not physically but via master cards and debit cards saving money became very easy than carrying money to the bank.</p>
<p>Q8: Approaches for creating positive changes in service quality of banking industry in Afghanistan</p>	<p>Having simple and good policies of giving loan, focusing on customer's needs, and behavior with customers in a good manner, level of knowledge staff, respecting customer, experience level of staff and satisfying all customers are all steps of creating positive changes for a better service quality.</p>
<p>Q9: Factors affecting on banks services/products delivery</p>	<p>Usage of modern technology, high qualified employee, stable economy system, accessibility of bank across the country, secure banking system in order to gain customer trust, branch capabilities, interest rate of banks, implementation of banking institution. And, doing a market research and deliver the service and product according to customer's need are the most important factors affecting on Banks service/products delivery.</p>

- Table 2: Bank Branch Managers Comparative Tabular Form

Interviewer 1

Qualification	BBA
Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	Those service which is provided according to customer expectation and can observe all the bank standards.
Q2: Situation of Banking service quality in Afghanistan	Not in the standard level but according to the current situation of Afghanistan it's good.
Q3: Approaches for a better banking service quality	Have to work on bank staff weaknesses and satisfy customer's all needs.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Overall there are no more differences but the only differences are in their internal services like service charges.

Q5:Evaluation of people’s vision about banks in Afghanistan	Lack of education and unawareness of people about banking are the reasons which major people have a negative visions about banking system.
Q6:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	Good service quality is equal to a big number of customers.
Q7:Approaches for creating positive changes in service quality of banking industry in Afghanistan	Increasing public awareness, staff knowledge and good security system in the country are the main approaches for creating positive changes in banking service quality of the country.

Interviewer 2

Qualification	MBA
Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	To deliver good services and better possibilities for customers and having good behavior with customers.

Q2: Situation of Banking service quality in Afghanistan	It is not enough good because there are cultural problems of using banking system among people of Afghanistan
Q3: Approaches for a better banking service quality	Is to aware common people from the banking system.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Having a huge difference according to professionalism and bank experts
Q5: Evaluation of people's vision about banks in Afghanistan	Absence of information about banking is the reason which people have not positive vision.
Q6: Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	To increase the level of education and to aware people from banking system.
Q7: Approaches for creating positive changes in service quality of banking industry in Afghanistan	Bank experts and professional and well behavior staff are the significant approaches for creating positive changes in banking service quality of the country.

Interviewer 3

Qualification	BBA
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Gender	Male
Questions	Answers
Q1: Concept of Banking Service Quality	Behavior of staff with customers is service quality in banking industry and the services provided by the banks have to be acceptable for the customers.
Q2: Situation of Banking service quality in Afghanistan	According to the current situation of Afghanistan the current situation of banking service quality is good due to improvement of private banks and their services based on banking technologies and standards.
Q3: Approaches for a better banking service quality	To have a better service quality banks must achieve the customer's reliability.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Banks in Afghanistan don't have enough branches, although regional countries do have and it is a significant difference.
Q5: Evaluation of people's vision about banks in Afghanistan	Low level of people's knowledge, unawareness of them about banking system and especially low level of reliability on banks are the reasons which people have negative visions about banking system in the country.

Q6:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	By having a good service quality banks can achieve the customer's satisfaction.
Q7:Approaches for creating positive changes in service quality of banking industry in Afghanistan	Ministry of education and higher education has to make banking and financial institutions in order to have a better banking service quality in the country.

**Key themes emerging (key themes)**

- Table 3: Banks High Value Customers Comparative Tabular Form

Interviewer 1

Qualification	BCS
Gender	Male
Questions	Answers

Q1: Concept of Banking Service Quality	The facilities which a bank provides to their customers are called services.
Q2: Situation of Banking service quality in Afghanistan	The current situation of banking is good. There is no particular problem in banking industry of Afghanistan.
Q3: Approaches for a better banking service quality	On time services, Islamic banking, extend of internet banking and mobile banking are the key approaches for a better banking service quality.
Q4: Comparison of banking service quality in Afghanistan and regional countries	There is no important difference; only in internal service charges they have differences.
Q5: Improvement of business by using bank services	Banks are one of the significant and vital sectors in economic growth and development of the country.
Q6: Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	Banking service quality in Afghanistan almost fulfilled the expectations and satisfaction of customers.
Q7: Approaches for creating positive changes in service quality of banking industry in Afghanistan	Banks should transfer the money on time.

Interviewer 2

Qualification	BCS
Gender	Female
Questions	Answer
Q1: Concept of Banking Service Quality	Banking service quality are the facilities in order to fulfill the requirements of customers and companies.
Q2: Situation of Banking service quality in Afghanistan	The banking service quality is pretty good and useful for people. They present good facilities of banking industry in the country.
Q3: Approaches for a better banking service quality	Bank should accrete facilities like mobile banking.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Foreign countries have fast process in compare to Afghanistan. Service charges are high in Afghanistan's banks as well.
Q5: Improvement of business by using bank services	It will be impossible, if a company imagine a global business without using of bank services even small businesses need to use banking services.
Q6: Efficacy of banking service quality to fulfill	The more banking service quality is high; the more customers will attract.

the expectations and satisfaction level of customers	
Q7: Approaches for creating positive changes in service quality of banking industry in Afghanistan	People should not be delayed, when withdrawing money

Interviewer 3

Qualification	BBA
Gender	Male
Questions	Answer
Q1: Concept of Banking Service Quality	Service quality is actually convenience for customers, and should be standard.
Q2: Situation of Banking service quality in Afghanistan	At the present time better and Well satisfied service is providing by banks in the country.
Q3: Approaches for a better banking service	Internet banking must be added to the service. Banks should be loyal to

quality	their customer and decrease the level of bureaucracy.
Q4: Comparison of banking service quality in Afghanistan and regional countries	There is no important difference; only in internal service charges they have differences.
Q5: Improvement of business by using bank services	Banking service quality in Afghanistan caused that businesses and investment improved a lot.
Q6: Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	Better service is equal to a large number of the customer, when a bank provides better service they might have lots of customers.
Q7: Approaches for creating positive changes in service quality of banking industry in Afghanistan	Internet banking must be added to the service. Banks should be loyal to their customer and decrease the level of bureaucracy.

**Key themes emerging (key themes)**

Q1: Concept of Banking Service Quality	Service quality are those facilities which a bank provides to customers and it's a deal between bank and customers.
Q2: Situation of Banking service quality in Afghanistan	The current situation of banking in Afghanistan is good but banks should increase internet banking and decrease the service charges rates till to attract more customers.
Q3: Approaches for a better banking service quality	Security, on time services, Islamic banking, extend of internet banking and mobile banking, decreasing the level of bureaucracy, increasing the level of staff knowledge and public awareness about banking are the main approaches for having a better banking service quality.
Q4: Comparison of banking service quality in Afghanistan and regional countries	Afghanistan banks did provide better and high quality of service in compare to regional countries but cause of some problems banks can't receive the targets and profit. Banking service quality in Afghanistan in case of language and cultural issues is better than regional countries but service charges rates are high in Afghanistan than regional countries.
Q5: Improvement of business by	Banks are very useful and bring good facilities because customers can access to goods very

using bank services	easily as well as they can gain good position between their competitors.
Q6:Efficacy of banking service quality to fulfill the expectations and satisfaction level of customers	Banking service quality in Afghanistan fulfilled the expectations of customers and made a positive impact for customer's needs for instance in transferring money.
Q7:Approaches for creating positive changes in service quality of banking industry in Afghanistan	Security, on time services, Islamic banking, extend of internet banking and mobile banking, decreasing the level of bureaucracy, increasing the level of staff knowledge and public awareness about banking are the main approaches for having a better banking service quality.

## 4.2 Discussion

Since 2001, the banking activities have been started widely and it was developed mainly by Kabul Bank's activities. On the other side, Local banks have started serious competition among themselves as well and it made almost every bank to deliver its service/products at high level. Fortunately, now every local bank is supplied with modern banking system such online banking, e-banking and mobile banking which are the main traits of standard banking. Moreover, the bankers are optimistic despite did not achieve their goals completely but said that modern banking is passing its 13 years' ages and it will be good after passing the time. On the other hand, it is convincible because it has done many tangible help to economic development of the country.

The customers welcomed the bank's activities since 2004 because they understood, bank is one of the bases of the economy and it must exist widely. After 13 years, most of the customers are showing satisfaction from their local banks because the banks made their businesses or work so easy. However, some of them are not satisfied and insisted that banks are not standard; do not deliver the services and products at high level and do not care about the time of their customers when they are referring to the banks for their business transactions.

Furthermore, the main factors that increased the level of banking services or products were; Accessibility of the bank, high qualified employees, modern technology, good behavior of customer service department and training of staffs but to be noted most of the banks were not equipped with high-skilled employees, modern banking technologies and much facilities but now they have. Although Afghanistan has passed a cool war and really tough situation in the last decade from every perspective but the people and the banks did not give up and continued their cooperation parallel to Afghanistan economy.

After 2001, banking sector has been gradually improved and most of the economists believe that privatization or the Market Economy is the only reason for this improvement. Fortunately, Afghan local banks have increased their level of banking services/products delivery in the country and likewise, some professors believed that strong and serious competition among the banks in the last decade made them to improve so well and reach to a satisfactory level where they are now.

In addition, despite the local banks developed their services, they could equip themselves to a proportionate standard banking system as well. For example, now every local bank delivers e- banking, mobile banking, ATM services almost to every parts of the country in a good manner. Now they realized that as much they get their customers satisfaction, they will go ahead because they have known in the modern banking, customer is not only a customer but a king or lord that should serve and prepare themselves as they want.

Moreover, the below interview sheets that were asked from the experts and professors of banking field, show that there are some contradict ideas about the key asset of the banks which are customers. For instance, some of the experts denied the role of customers on banking services and products delivery in the country while others said that the customers have a significant role on the improvement of the banking sector

Although Usage of modern technology, high qualified employee, stable economy system, accessibility of bank across the country, secure banking system in order to gain customer trust, branch capabilities, interest rate of banks, implementation of banking institution are the most key elements in standard banking but Afghanistan still faces many problems regarding some parts. For instance, the country does not have enough high-

qualified staffs in the banking sector, the security situation is getting worse day by day and so many other things that prevent banking system for going ahead.

However, some of the banks improved well and played a major role in the country's economy because of their good reputation, high-service delivery, financial stability but the most important thing here is that we could not get the people's trust for bringing their money in the banks yet and more important than that is, we could not raise the banking culture among the people, and this is why we are still behind our goal, as it was said by many professors. sound competition is the only phenomena for betterment of the current banking system said many professors. It can decrease the costs, waiting time of the customers and make them better off.

#### Banks Role in economic development and social welfare

According to Professor Noor Ebad instructor in Economic Faculty and Head of NCPR National Center for Policy Research in Kabul University: Banks play a vital role in economic development and we cannot imagine a country without having banking system, even in Islamic countries banking activities are not prohibited. However, banks interest (Reba) which makes most of banking income, is forbidden in Islam. Because a sound banking system mobilize the small and scattered savings of the community and makes them available for investment in productive enterprises, they distribute these savings through loans among enterprises which are connected in Economic development. In addition, as much banks create facilities in loans for enterprises that much it will help in economic growth and development. And it is not only banks responsibility but also people to save their money in the banks and play a role in economic development.

In Western countries banks have worked and take part a bit more in Corporate Social Responsibility. The higher validity banks have among people, the more they can pursue people to save their money in. and one of the way banks can gain validity is that they should take part in social activities. According to Islam: banks role in making a Charity (zakat) fund, collecting charity (zakat) and distributing it to eligible people can be effective and counted as banking social responsibility.

In addition, according to Professor Noor Ebad State Banks or Central Bank abide or follow the rules and regulations of banking more than private banks do, because the main goal of private banks is to maximize their profit, and if the State Bank does not monitor/observes then private banks will not consider the rules and regulations for their own profit or interest.

#### **4.2.1. banking service quality**

According to Mr. Khalil Sediq Afghanistan President of Central Bank (Da Afghanistan Bank), Bank is an association that collects people's savings and later on uses these processes for growth and improvements of economics in several ways, thus in two parts of collecting money and reinvestments of it, there is focused on customer service quality that which services and which products should be offered, which simple and convenient services should be delivered in order to pave ways for improving the country's economic level.

Dr Abdul Raouf Gohari professor of Economics Faculty and deputy of Kabul University said is quoted as saying that "...Banking service quality is the formations that banks have, that's called banking service quality". Firstly, the administrators and managers have a key role to enhance a batter service quality in a bank and they must be well

educated and professional and they must motivate the staff to have good behaviors with customers to achieve the customer's satisfaction. Secondly the customers also must be aware of rules that is using in banking sector.

Service quality is to deliver good services and better possibilities for customers as well as having good behavior with customers. During three decades of war Afghanistan people loss their all cultural values and this situation caused that they lost the culture of behaving with banking system in Afghanistan. Service quality in a bank should be on time and has to provide the services based on customer expectation, immediately and all the standards which are necessary for a bank. There are many approaches to have good service quality but before selecting an approach bank must divide these approaches into categories that what is our strength and weaknesses. After determination of weaknesses they have to work on those points. In addition, for having good service quality they have to focus on needs of customers and provide service sat exact time. Behavior speech and exploit of staff affects service quality as well. Banking service quality means how to attract more customers and perform the best among comopotators. Banks have to achieve the customer satisfaction by offering them new and innovative products in banking sector. (AIB Branch Managers)

Delivering accurate services and satisfying customers mean having a better service quality. Banking service quality can make lots of facilities for both the people and companies (e.g. money transferring services, electronic banking, western union and etc). Banking service quality should assemble convenience for customers perform critically based on banking standards. (AIB High Value Customers)

#### **4.2.2 Banking service quality in Afghanistan**

According to Ahmad Jawed Shoaibi professor of Economics Faculty at Kabul University, General the current situation of Afghanistan could not pave suitable facilities for banking sector. As macroeconomic perspective banking situation in Afghanistan are not good enough that has several reasons. The major and significant reasons are as below:

- Existence of some malfunctions in banking sector of the country
- Using of banking rules incompletely when offering banking services
- Nonexistence of expert staff in banking industry of the country

Despite lack of decent security and people knowledge banking service quality in Afghanistan is better and in recent years' banks have been achieving much more improvements in Afghanistan because now banks offer electronic banking like debit cards, master cards, online banking, mobile banking. These all are new emerged technologies in banking sector that are being used in developed countries. (Khalil Sediq)

Service quality of banking industry in Afghanistan is not acceptable and the current situations of banks in Afghanistan are not good enough; lack of banking culture in Afghanistan is a big problem for having a better service quality. A huge number of Afghanistan peoples are not interested to deposit their money in the banks due to lack of information about banking system, and the customers that are using banking services are the customers with low total of deposits, therefore for having better banking service quality the people of Afghanistan need to know banking culture and method of using banking services. (AIB Branch managers)

Customers are well satisfied from the banking service quality in Afghanistan because currently Afghanistan is facing with a huge number of problems; therefore, based on current adverse situation of Afghanistan the services are good. Private banking sector is

newly inaugurated in Afghanistan and it's useful for banking industry. The most important point in current situation is Electronic banking (Internet banking) that it should be added and increased in banking industry of the country. (AIB High Value Customers)

#### **4.2.3 Better Banking service quality**

Dr. Hameedullah Noor Ebaad professor of economics and chief executive officer of National Center for Policy Research (NCPR) at Kabul University mentioned that the best way in order to increase banking service quality is that staff should be responsible for their works and job performances and have the knowledge of performing efficiently. Banks must focus on Islamic banking in Afghanistan as well. In addition, government should also have specific policies in this sector.

Khalil Sediq President of Da Afghanistan Bank mentioned that Banks should invest in order to provide better service quality and have innovations in their services. They should have more investment on building capacity till to provide better services to their customers. Banks should also increase Islamic Banking in order to have better banking service quality. The services that banks offer are directly related to the customers and the only way to have a better banking service quality in Afghanistan is to make aware people either the customers or employees. Bank should increase the customer's reliability and use the modern electronic banking technology (e.g. high speed internet, required banking machines and etc...). Banks have to focus on needs of the customers and provide services on their required time as well. Banks should deliver and offer all the services which customers are in need of. Banks have to survey that what is the need for customers than they can provide services according to customers need for instance in Afghanistan when banks give people loan, they don't have any reliable guarantee for that even the deeds

which they take is traditionally or locally as in other countries there should be legal deed. Islamic banking should improve in Afghanistan because by providing better Islamic banking services people may change their negative opinion about banking system which will be very useful for economy of Afghanistan as well. The approach for having a better service quality banks have to recognize their strengths and weaknesses and work hard till to fulfill their weaknesses and access to opportunities. High level of work Speed in banks can also affect service quality positively. Banks can increase their service quality by offering unlimited services, and the behavior of staff is also a big phenomenon which is not ignorable. Afghanistan Central Bank should work on creating stock exchanges in the country as well because one of the biggest reasons of economic growth and development of developed and some developing countries in recent years. (AIB Branch Managers).

Internet banking should be added to the banking services. Banks should be loyal to their customers and decrease the level of bureaucracy. Security, Knowledge and education level of people, training programs for banks staff, extend of Islamic banking, internet banking and mobile banking can affect service quality positively as well, thereby these key points should be better and increase till to have a better banking service quality in Afghanistan. For a better banking service quality bank customers should not be delayed, when withdrawing their money. Banks should have direct connections with other banks out of Afghanistan to help the high value customers in transferring their money easily. In addition, offering on time service quality is also the point which should not be ignorable in banks. When banks want to transfer money in other countries, they are facing with a number of problems. Banks customers receive their moneys after 4 days because the holidays of Afghanistan differ with holidays of other regional countries. (AIB High Value Customers)

#### 4.2.4 Service quality in Afghanistan and other countries

According to Dr. Abdul Raouf Guhari professor of Economics faculty and deputy of Kabul University, Services can be at national or international level, especially the banks that have branches in foreign countries; they are related to the outside or foreign countries.

Khalil Sediq President of Da Afghanistan Bank (DAB) is quoted as saying that “In some arena we are headmost in banking to compare with our neighbor countries but in extension of banking we have good services to be comparable with regional countries”.

Having enough branches in every city and urban places itself is a big service that creates conveniences for customers because most of people might not be interested in depositing their money in a place that is so far because there are security problems in the country and people are afraid of losing their money in disappointed situations. Banking service in Afghanistan is not comparable with the regional countries service because banks don't have enough branches in Afghanistan but there are enough branches in banks of regional countries. There are huge differences in banking professionalism as well because in other countries both the knowledge of staff and customers are better and has increased. Government should pave opportunities for banks staff to improve their knowledge of works and ability of engrossing customer's attention to banking services. One of the other differences of banks of Afghanistan with other regional countries are in their internal services like charges. Charges are high in Afghanistan and this point decreases attraction level of customers to deposit their moneys in banks. Afghanistan is a development country and the people have low income due to economic issues, therefore most of them are not able to pay high charges to banking services. (AIB Branch Managers)

Foreign countries have swift process and low charges but the charges are high and process is slower in Afghanistan than regional countries. Nowadays most businesses depend on technology and people expect more services from banks because they don't want that any money process of them to be delayed. They want exact time processes in order to improve their businesses, some of them may admit high charges till to achieve fast process of banking services. Although some people think that service quality is better in Afghanistan from language and cultural perspective, because all the people can talk in one or two national languages in Afghanistan. This issue facilitates terms between customers and banks staff, and attract more customers to the banks. (AIB High Value Customers)

#### **4.2.5 People's vision about Banks in Afghanistan**

Most of people in Afghanistan do not have a transparent belief on banks in Afghanistan. Banks and government should work on this issue and decrease people's negative vision in order to create a better banking environment. Education and unawareness of people about banking system should increase as well till to create a positive change in people's vision about banking activities in Afghanistan. (Dr. Abdul Rauf Guhari professor of Economics faculty and deputy of Kabul University) Ahmad Jawed Shoaibi professor of Economics faculty is quoted as saying that "... there are 17 active banks in Afghanistan, people turn to the banks which have better images in services delivery". Generally, there are two reasons that people don't want to deposit their moneys in banks, firstly the banks management problems and secondly the political and economic problems and crisis of the country, thereby in order to decrease the people's negative vision about banks in Afghanistan is to solve the aforementioned problems.

Khalil Sediq President of Da Afghanistan Bank is quoted as saying that "...People have a negative vision about banking system in Afghanistan. Crisis and bankruptcy of Kabul Bank had a very disappointed effect on banking system in the country. This is on the key reasons that people don't have interest to deposit their moneys in banks.

As it is obvious, security in Afghanistan is one of the big problems that exist and people are not ready to believe on any sectors especially on banking sector in the country, because they have been witnessed to disappointed situations in recent years. The number of people who are interested in banking services are still very low due to meditation of them for banks. People's meditation is not good about banking and just about less than 5% of people have interest in banking services but more than 90% of people have no interest in banking services in the country. Nowadays trust is decreased on banks and this has led to a negative impact on corporate business and NGOs. Banks are of those sectors that are relevant to other sectors such as businesses, government, and as people's bind to the banks decreases, negative outcomes hit other sectors as well. In addition, those people that have bank accounts in foreign countries, they have a good opinion about banking industry in Afghanistan but the people that live in Afghanistan and have never been to abroad, they make excuses. (AIB Branch Managers)

#### **4.2.6. Main problems against banking service quality in Afghanistan**

Khalil Sediq president of Da Afghanistan Bank (DAB) mentioned that the significant and key problems against banking service quality in Afghanistan are lack of security, high level of illiteracy and low level of income.

According to Dr. Abdul Raouf Guhari professor of Economics faculty and deputy of Kabul University, at the present time security can be the main problem against every

business specially banking sector service quality. Security plays a vital role in every society because security is a platform for every business especially for banks, because banks are involved with people's deposits and must save their money in a best manner.

Ahmad Jawed Shoaibi professor of Economics faculty at Kabul University mentioned that, along security problems low debts, non-existence of assurance in liabilities, and existence of political junctures are the key reasons that banks couldn't perform well.

Low level of staff knowledge is one of the other problems against better service quality, because the approaches for attracting customers, and behaving to them all are elements of having better knowledge of communications. As satisfying customers is a big challenge for every entity, therefore if staff could satisfy customers with their knowledge of communications then it becomes a vital service quality for a bank. Low level of knowledge and low economic level are the main problems in Afghanistan against delivering better service quality in the country. (Dr. Hameedullah Noor Ebaad professor of Economics faculty at Kabul University)

The significant barrier against banking industry of Afghanistan is the lack of observation of Afghanistan Central Bank on private banks. Central bank in every country has specific duties that one of them is observing and monitoring other private and commercial banks. According to some people and entities Afghanistan Central Bank could not do its job properly as of other countries and this caused a key problem against better banking service quality. (AIB Branch Managers).

Staff behavior (e.g. cashiers, customer servants, etc...), customers waiting line problems, high service charges, time consuming and high exchange rates in Afghanistan

are the main and significant problems of banking industry on Afghanistan. The wasting much of time of customers (at least one hour) is the other problem of banking in the country. Sometimes banks branch are not respondent goodly for their customers. For instance, they reject their customers invoice and in case of that the customers cannot receive their monthly statement on time. (AIB High Value Customers).

#### **4.2.7 Customer's satisfaction level from banking service quality in Afghanistan**

Good service quality has direct relation with huge number of customers. By having a good banking service quality banks can have more customers. Customers turn to that bank, which has the best service quality and even banks can attract new customers by their prior customers, if they deliver better services. Banks staff must forget their all private and life related problems, when they are entering in their work place and they should have clear and fresh ideas without interior and life related problems in order to have a better and innovative work at office. (AIB Branch Managers).

Banks customers are almost satisfied from banking service quality in Afghanistan. Banking service quality made a positive impact on customers need (e.g. in transferring money or keeping more money safe or online payment from bank accounts). Saving money in banks due to transferring money not physically but via master cards and debit cards have become very easy than carrying money to the bank, and same is when people want to check their money in their accounts, all these are possible via electronic facilities, ATM machines and other electronic equipment that attract customers. (AIB High value customers).

#### **4.2.8 Positive changes in banking industry of Afghanistan**

According to Khalil Sediq president of Da Afghanistan Bank, whatever the people awareness improved people can trust on banking system Banks should do decent and relevant investment for providing better service quality and have innovations in their services and well behavior with customers in a good manner as well as level of staff knowledge, respecting customers, and experience level of staff are all factors that are contributing service quality in banks.

Ahmad Jawed Shoaibi professor of Economics faculty at Kabul University mentioned that Banks should have better and simple policies of giving loan thus they could attract more customers, as the banks have better policy of giving loan, the service quality will be also better.

Banks increase their service quality by offering unlimited banking services. They we should deliver all the services which customers are in need of, and the staff behavior of a bank is also not something ignorable. People should have knowledge of using the services because if banks provide high level of services and people even don't know how to use it, thereby the banks services will be useless. The experience of banks staff is important and in case of having experience banks staff should have the knowledge of banking sector. Professional and well behave staff can make a positive difference in banks. The approaches for making positive changes in banking industry are to increase public awareness, staff knowledge and good security system in the country. The Ministry of education and higher education has to make banking and financial institutions for increasing professionals and experts in banking sector. (AIB Branch Managers)

#### **4.2.9 Efficacy of Bank services on business improvement**

Banking services have a vital and significant role in businesses. Most of businesses are dependent to other countries, therefore the customers often have to transfer or receive money by distance, and they could have not global business without services offered by banks. Banking services create more facilities. It will be impossible to have a global business without banking services even small businesses need to use banking services. Companies won't be able to invest without banking services. In addition, by using of banking service quality banks can attract more customers, gain much more profit and have a better reputation between their other competitors. (AIB High value customers)

### **Questionnaire Analysis and Discussion**

#### **PART ONE: Common people**

Table1 target population

Category	Frequency	Percentage
Banks senior managers	30	7.6
Common people	262	25.5
Bank customers	100	66.8
Total	392	100

Source: Afghanistan International Bank, Ghazanfar Bank, Maiwand Bank, Afghan United Bank and Azizi Bank.

#### Respondents gender

Gender	Frequency	Percentage
Male	193	73.6
Female	68	26.4
Total	262	100

The survey respondents, across gender were rated higher by male compared to female customers. 73.6%(193 out of 262) of respondents were male and 26.4% (68 out of 262) of respondents were female.

#### Respondents Marital status

Gender	Frequency	Percentage
Single	114	43.5
Married	146	55.7
Total	262	100

The figure shows that 146 out 262 (55.7%) of the surveyed customers are married while 114 out of 262 (43.5%) are single.

## Respondents Education Level

Level	Frequency	Percentage
Baccalaureate	37	14.1
Bachelor	142	54.1
Diploma	30	11.5
Doctorate	5	1.9
Masters	42	16
Others	3	1.1
Student	3	1.1
Total	262	100

Based on the data analysis, most of the customers are bachelors that form 142 out of 262 responses (54.6%) and the second biggest part of customers are those who have master degrees and are 42 out of 262 responses and their percentage share is 16%. In addition, those who studied 14 years, high school graduates and doctors are formed third to fifth positions among the responses with 37 out of 262 (14.1%), 30 out of 262 (11.5%) and 5 out of 262 responses with 1.5%. to be noted that school students and other people formed equally both with 3 out of 262 responses each with 1.1%.

## Level of Importance of banks in Afghanistan

Level	Frequency	Percentage
Very high	91	34.7
High	65	24.8
Average	60	23
Less	39	14.8

No	5	1.9
Total	262	100

According to the graph most of respondents think that banks are very important and a huge number of respondents also think that importance of banks are high and average, although 15% of respondents think that importance of banks are less and just 2% of them think that it does not have any importance. The number of respondents that think service quality has less importance or do not have any importance are less than half of the number of respondents that think banks are very important and the number of respondents that believe that banks are important in Afghanistan are nearly three times bigger than the number of respondents that think banks in Afghanistan is less important or does not have any importance.

#### Having Bank Account

Account	Frequency	Percentage
Yes	117	44.6
No	71	27
Maybe in Future	74	28.2
Total	262	100

Most 45% (117 out of 262) respondents of common customers' survey have bank accounts but the number of respondents 27%(70 out of 262) who do not have bank accounts are not something ignorable because it is more than half of the number of respondents which have bank accounts, although the number of respondents that they marked the option of "Maybe

in the future” is more than the number of respondents which they do not have bank accounts.

Respondents level of satisfaction from Afghanistan private banks.

Level of satisfaction	Frequency	Percentage
Bad	6	2.3
Excellent	42	16
Fair	42	16
Good	115	43.9
Very Good	51	19.5
Very Bad	6	2.3
Total	262	100

According to the data analysis regarding to the pervious question in case of having bank account, most of the responses 43.9% (115 out of 262) responded with “Good” comparing to the total percentage of 100%. And the second biggest response from the customers is “Very Good” that 51 out of 262 with 19.5% expressed their level of satisfaction. The “Excellent and fairly good” are the third answers of the customers that each of the answer is 42 out of 262 with 16%.” Bad and Very Bad” responses were very rare (each of them has 6 out of 262 with equally 2.3% percentage) and it shows that banking level in Afghanistan is getting better day by day and customers are happy with the banking services and products delivery.

### Extent of effect of staff training on customer service delivery

Extent	Frequency	Percentage
Very great extent	167	63.7
Great extent	73	27.3
Moderate extent	20	7.6
Total	262	100

As per the respondents it shows that 63.7% of people are saying that staff training has very great effect on service delivery while 27.3% are saying it has great effect and only 7.6% are saying training have moderate effect of service delivery.

### Impact of time waiting on service delivery

impact	Frequency	Percentage
Very impact	117	67.6
Fairly impact	62	23.7
Low impact	21	8
No impact	2	0.7

The above data analysis shows that the customers are very sensitive with time this is why most of the responses (117 out of 262 of the customers with 67.6%) said that time has so much effect on level of their satisfaction. However, 62 out of 262 (23.7%) of the customers think it has fairly effect, likewise 21 out of 262 responses (8%) are less sensitive people about the time and say it has less effect. Finally, just 2 out of 262 (0.8%) which is very few are those customers that say, time does not have any effect of their level of satisfaction.

### Respondents suggestions for reducing customer waiting time

Suggestion	Frequency	percentage
Increasing professional staff	170	64.9
Expanding branches	72	27.5
Making flexible working schedule	20	7.6
Total	262	100

The data shows that 170 out of 262 customers (64.9%) said that increasing the number of professional staff will reduce the problem however other 72 out of 262 responses (27.5%) think increasing branches will decrease the current problem. To be noted that a few responses shows that managing the flexible work schedules will help to remove this problem and this number is 20 out of 262 customers with 7.6%.

#### Level of bureaucracy

Level	Frequency	Percentage
Very High	21	8
High	42	16.4
Medium	110	42
Low	65	24.4
Very low	24	9.2
Total	262	100

The analyzed data shows that level of bureaucracy is not too much in the Afghanistan local banks this is why many of the responses (110 out of 262 makes 42%) said it is medium, 65 out of 262 other said it is less makes 24.4%, another group of the customers who were out of 262 (16.4%) think it is a lot. And 21 out of 262 of another group with 8% are in this

notion that it is very much. However, just 24 out of 262 (9.2%) group of customers said it is very less and does not create a big deal regarding this.

### Level of bureaucracy

Level	Frequency	Percentage
Very high	49	18.7
High	62	23.6
average	66	25
Less	71	27
None	14	5.3
Total	262	100

About 27% of respondents believe that the level of corruption in banking system is less. 25% of them believe that the level of corruption in banking system is average. 24% of them believe that the level of corruption is high but there are 19% of respondents believe that the level of corruption in banking system is very high and there are 5% of respondents believe that there is no corruption in banking industry of Afghanistan.

### Respondents having back account period

Period	Frequency	Percentage
Less than 1 year	71	27.1
1-3 years	90	34.4
3-6 years	59	22.9
More than 6 years	40	15.6
Total	262	100

Most of the customers have had bank account for 1-3 years which represent the 34.4 % our responses, a few of them had bank account less than one year 24.4%, few of them had from

3-6 years with 22.9%, and there is another group of surveyed customers with 15.6% who had bank account for more than 6 years. From 262 responses who were asked to tell their banking experiences, fortunately most of them and I can say almost all of them are satisfied with their banking services and said that their experiences were good and also they are optimistic about the banking services as well.

### **Respondents level of awareness about products and services**

Level	Frequency	Percentage
Very high	13	5
High	68	26
Medium	128	48.8
Low	44	16.7
Very low	8	3
Total	262	100

According to above data 128 out of 262 customers (48.9%) are aware of banking services and products almost medium, 68 out 262 other responses (26%) say they are aware a lot about it.14 out of 262 customers are very aware with 5.3% however just 8 out of 262 responses were very less aware about the banking services and the product and they are just 2.7% of the whole percentage.

### **Respondents saving account with banks**

Saving	Frequency	Percentage
Yes	104	49.6
No	158	60.3

Total	262	100
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As per the survey majority of people don't saving account with local banks.

## **PART TWO: Banks customers**

### **Respondents gender**

Gender	Frequency	Percentage
Male	84	84
Female	16	16
Total	100	100

The survey respondents, across gender were rated higher by males as compared with female customers. 84% of respondents were male and 16% of respondents were female.

### **Respondents level of education**

Level	Frequency	Percentage
Baccalaureate	17	17
Bachelor	54	54
Diploma	11	11
Doctorate	2	2
Masters	13	13
Others	2	2
Student	1	1
Total	100	100

Bachelor degree is high rated education level among respondents. 12<sup>th</sup> grade school graduated ranks is in the second position of ranking of respondents and there are less

respondents who are semi bachelor and master, and the fewest of the respondents are doctors and students.

### **Respondents marital status**

Status	Frequency	Percentage
Single	38	38
Married	62	62
Total	100	100

Most of respondents of the common customers' survey were married, although only 38% of them were single.

### **Respondents Having bank account**

Account	Frequency	Percentage
Yes	82	82
No	10	10
Maybe in future	8	8
Total	100	100

Most respondents of common customers' survey have bank accounts but the number of respondents who don't have bank account is less and only 8% of says that they may have a bank account in the future.

### **Current Situation of banking**

Situation	Frequency	Percentage
Excellent	13	131

Very good	19	9
Good	41	41
Fair	21	21
Bad	6	6
Total	100	100

More the half of respondents believe that current situation of banking industry is good, and a significant number of respondents think that current situation of banking industry in Afghanistan is fair. An average number says that current situation of banking is very good and a few number of people think that current situation of banking is excellent but people who think that current situation of banking is bad are very less.

#### Level of Importance of banks in Afghanistan

Level	Frequency	Percentage
Very high	35	35
High	23	23
Average	28	28
Less	6	6
No	8	8
Total	262	100

According to the graph most of respondents think that banking has very high important, and large number of people think that importance of banks in Afghanistan are high and average, although people who think about importance of banking in Afghanistan are less but seldom people think that banks doesn't have any importance.

Respondents reason for saving money in banks.

Reason	Frequency	Percentage
Security	61	61
Profit	6	6
Economic growth	15	15
Business objectives	18	18
Total	100	100

Most of people save their money in banks due to lack of decent security but there are some people that saving their money in banks cause of profit and also for economic growth but people who save their money to earn profit are very less.

**Factors effecting banks development as per respondents.**

factors	Frequency	Percentage
Customer service	40	40
High interest rate	4	4
Innovations	13	13
Employee skills	6	6
Bank reliability	35	35
Bank environment	2	2
Total	1001	100

Service quality and bank reliability is the most important factors to develop banks in a society. About 10% of respondents think that invention and innovation is important factor effecting banks development. High interest rate, employee’s skill and bank environment is in low rank factors that can effect banks development.

**Respondents satisfaction level from local banks.**

Level		
Very high	8	181
High	38	38
Average	32	32
Less	9	9
None	3	3
Total	100	100

About 38% of respondents believe that the level of satisfaction from banking service quality in Afghanistan is high. 18% of them believe that the level of satisfaction from banking service quality is at very high level. 32% of them believe that the level of satisfaction is average but there are 9% respondents believe that the level of satisfaction from banking service quality is less and there are just 3% of respondents believe that people are not satisfied of banking service quality in Afghanistan.

**Ways banks can make positive changes in service quality.**

Ways	Frequency	Percentage
Service quality	62	62
Service Quantity	17	17
Innovation	21	21
Total	100	100

62% of respondents believe that banks can make positive changes through service quality by increasing their service quality. It means they should increase the quality of their services but 17% of respondents believe that banks can make positive changes by

increasing the quantity of their services and 21% of them believe that innovation can make positive changes through service quality.

**Level of bureaucracy in banking system.**

Level	Frequency	Percentage
Very High	14	14
High	5	252
Average	37	37
Less	17	17
None	7	7
Total	100	100

About 37% of respondents believe that the level of bureaucracy in banking system is average. 25% of them believe that the level of bureaucracy in banking system is high. 17% of them believe that the level of bureaucracy is less but there are 14% respondents believe that the level of bureaucracy in banking system is very high and there are just 7% of respondents believe that there is no bureaucracy in banking industry of Afghanistan.

**Level of corruption in banking system.**

Level	Frequency	Percentage
Very High	9	9
High	11	11
Average	18	18
Less	36	36
None	26	26

Total	100	100
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About 36% of respondents believe that the level of corruption in banking system is less. 18% of them believe that the level of corruption in banking system is average. 11% of them believe that the level of corruption is high but there are 9% of respondents believe that the level of corruption in banking system is very high and there are 26% of respondents believe that there is no corruption in banking industry of Afghanistan.

### **PART THREE: Bank senior manager**

#### **Services having most customers in bank.**

Services	Frequency	Percentage
Saving account	9	30
Current Account	10	33.3
Term Deposit	6	20
Islamic Banking	3	10
Electronic Banking	2	6.6
Total	30	100

*The figures demonstrate that, Current Accounts and Saving Accounts makes the most banks Customers which 33.3% and 30% respectively. While 20% of surveyed managers suggest that Term of Deposit Accounts have the most customers for their banks. In addition, Islamic Banking and Electronic Banking make the least bank services with contribution of 10% and 6.6% responses.*

#### **Interest rate in local banks**

Rate	Frequency	Percentage
1% - 3%	9	30
4% - 5%	16	53.3
6% -7%	5	16.6
8% - 10%	0	0
More than 10%	0	0
Total	30	100

As the result shows, 53.3% of the banks have (4-5) % interest rate for Saving Money.

While, 30 banks have 1-3 % interest rate for and 16.6% respondents mentioned the interest rate for Saving Money (6-7) % and no bank pays more than 7%.

Major customers?

Major customers	Frequency	Percentage
Traders	12	40
Common people	12	40
Companies	6	20
Total	30	100

Based on data analysis above most of the banks major customers are Common People & Traders with contribution of 40 % each. Followed by 20% respondents Organization and Companies, is their major customers.

Customer's satisfaction from bank system.

Satisfaction level	Frequency	Percentage
Very High	17	56.6

High	5	16.6
Medium	8	26.6
Low	0	0
Very low	0	0
Total	30	100

The figure demonstrates that, 56.6 % respondents remarked their customers` satisfaction very high, while 16.6% remarked high and 26.6% remarked medium, it means their customers are neither satisfied nor dissatisfied.

**Ways to standardize banking services in standard norms.**

Ways	Frequency	Percentage
Improving staff knowledge	8	25.6
Service Quality	12	40
E.banking	7	22
Customer satisfaction	3	12.3
Total	30	100

As it can be seen in the results, according to 40% respondents through good Quality of Services our banking services can reach to standards, followed 22% respondents through E-Banking and Improving or Increasing Staffs skills/knowledge, and according to 12.3% respondents through Gaining Customers Satisfaction we can standardize our banking system.

**Level of Bureaucracy in Afghanistan local banks.**

Level	Frequency	Percentage
Very High	4	13.3
Medium	17	56.6
Low	9	30
Total	30	100

As the result shows 56.6 % of the banking professions evaluated the level bureaucracy in local banks are normal, and 30% respondents evaluated less, while 13.3% respondents evaluated the level of bureaucracy Very much in local banks.

**Ways to reduce waiting time as per respondents.**

Ways		
Increase No of ATM machine	10	33.3
E-Banking	12	40
Increasing no of employee	6	20
Open new branches	2	6.6
Total	30	100

As it can be seen in the result, banks can decrease the waiting time of customers through E-Banking and by increasing the number of ATM machines with contribution of 33.3% each. Followed by 20% respondents through increasing in number of employees and 6.6% respondents by opening of new branch, we can decrease the waiting time of our customers.

**Importance of CS behavior.**

Importance	Frequency	Percentage
100%	26	87
75%	0	0
50%	0	0
25%	4	13
Total	30	100

According to survey result, 87% respondents rated the importance of better behavior and of Customer Service for customers' attraction and satisfaction 100%, while 13% respondents rated 25%.

#### **Use of accounts by customers.**

Accounts	Frequency	Percentage
Saving	5	16.6
Current	19	63.3
Term Deposit	6	20
Total	30	100

According to survey result, 63.3% respondents said Current Accounts are mostly use by customers, followed Saving Accounts and Deposit Term Accounts are second mostly use by customers with contribution of 20% TD and 16.6% saving.

#### **Comparing banking service delivery in Afghanistan with other countries in private banks` top manager's perspectives**

Afghanistan is one of the developing countries, and banking services delivery is good and getting better day by day as compare to other countries. One of the most important factor which needs to be improved is the delivery of superior values and behavior with customers

while there is also mentioned about the similarity of service delivery by Afghan local banks with another country. But, there is also another opposite idea as well which says only 5 percent of people use banking services. So we can't compare our countries current banking service with even neighbor countries.

### **Indexes for identifying standard services delivery**

Good behavior and service delivery, Specialization of employees, best policy and procedure, awareness about market, decreasing risk, consideration of international standards, positive changes of central bank and developing technology are the indexes for identifying standard services delivery.

## **CHAPTER FIVE**

### **CONCLUSION, KEY FINDINGS AND RECOMMENDATIONS**

This chapter explain the overall conclusions of the research based on surveys and expert interviews. Furthermore, recommendations are suggested for commercial banks and the central bank about what are the service standards and major factors that influence the banking service quality and delivery in Afghanistan. Recommendations are made for further research in the area of this topic.

#### **5.1 Conclusion and Key findings**

The research which was conducted by the researcher has found that most of the customers had satisfactory experiences with Afghanistan local banks during the last decade as when they were asked about their level of satisfaction about services/products of local banks, the majority of them (221 out of 262 customers in questionnaire) indicated “very Good” which shows banks were successful to their careers in Afghanistan.

In addition, the current state and local banks of Afghanistan are good but not comparable with the standard banks out of country, because still we have lots of problems in banking sector in Afghanistan. For instance, lack of financial stability, lack of people's trust on banks, bureaucracy in the banks are the issues that Afghanistan local banks are having.

Accordingly, the only way for solving the problem is hiring professional staffs or providing trainings to staff to know how to deal and behave with their customers perfectly.

According to the data analysis, most of the bank's customers are new (they have banks account for 1- 3 years). Level of standard is 50% - 80% in banks and people are optimistic about the banking future in Afghanistan.

Furthermore, attitude and behavior of banks' employees, Processing time, employee's knowledge, marketing strategies of a bank are the factors which effect on service and product delivery.

- Hiring unprofessional staff.
- Staff training.
- Employee Motivation
- Security
- Customers knowledge
- Technology
- The level of most of the customers' education is bachelor, so it can be the reason that most of them are aware of banking services/products and have bank accounts and most of the customers are highly satisfied from the banking services in

Afghanistan which have been delivered during the last decade. They selected the “Very Good” option for expressing their satisfaction.

- There are still lots of works and other reforms to be done by DAB and other local banks for gaining people’s trust and make banking system more accessible in all over the country, since only 7 % of Afghan people have access to banking services and this is the reason most of the respondents said that the most important factor for development of banks is “Attraction of customers and gaining and assuring them on secureness of their money.
- The current state of banking services in Afghanistan is good and most of the responses selected Good (44.3%) option as well.
- Waiting Time of customers is a serious problem which must be solved because it has a major impact on satisfaction of banking services and this is why most of the responses (67.6%) said it has very serious impact. The survey which has been ran by the research team, it found that the only way for reduction of time waiting problem is increasing professional and well trained staffs in the banks.
- The level of banking awareness is medium. Most of people are not aware of banking services and products and it is another reason why local banks did not improve much yet as they should have reached. Though most of the customers are optimistic about the future of banking in Afghanistan. They said it has done well during the last decade despite many challenges faced in.
- Most of the customers mentioned their lack of awareness about banking services and products as following: Due to lack of effective advertisement/marketing, complexity of the banking system, unprofessionalism of banking staff, lack of necessity and interest in banking system, lack of knowledge about banking services

and due to engagement in personal jobs, are the reasons of people's lack of awareness about banking services and products.

- The most using account and the most beneficial account in Afghanistan is Current Account. Common people, traders and embassies are the main customers of the banks. And the period of most of the customers which have bank accounts is between 1 to 3 years. The Interest rate for saving money is 1%- 5%.
- Local banks have developed much since 2001. They have reached themselves to nearly a standard banking level and also most of the people are happy with the services and the products of the current banks, and based on the data analysis from the private banks questionnaire, Afghan local banks could deliver their services and products in standard level (50% to 80%).
- Lack of professional staffs is one of the major reasons why local banks did not improve much, Good attitude and behavior of banks` employees, Processing time, employees' knowledge and skills, marketing strategies of a bank are the factors which effect on service and product quality and delivery.
- Standard banking system means equal delivery of high quality service / product to every place. Its main points are: E-banking, competition, high quality services and products, using modern technology.
- State Banks or Central Bank abide or follow the rules and regulations of banking more than private banks do, because the main goal of private banks is to maximize their profit, and if the State Bank does not monitor/observes then private banks will not consider the rules and regulations for their own profit or interest.

Service quality plays a key role in the development of banking system in the country. For organization's success and survival Service quality is very important factor in

the banking sector. It has received wide recognition by the researchers over the last decade in the retail banking sector, therefore for having a better banking system Banks must have a better service quality. The formations that banks have, they are service quality. Firstly, the administrators have a key role to enhance a batter service quality in a bank and they must be well educated and professional as well as they should motivate the staff to have good behaviors with customers to achieve the customer's satisfaction. Secondly the customers also must be aware of rules. Behavior speech and exploit of staff is service quality, in banking industry service must be acceptable for customers each industry have their own customers and customer service in each industry is different but in banking industry there is a huge competition between banks and customers switch easily to other banks that's why any banks don't want to lose their customer, must deliver the best services to their customer and the conveyed services must be accurate as per banking industry.

The current situations of the banks in Afghanistan are not good enough. Because a huge number of Afghanistan people are not interested to save their money in the banks due to lack of information about banking system as well as they do not have more reliability on banks in the country. Basically the current situation of Afghanistan could not pave suitable facilities for banking. From macroeconomic perspective banks situation are not good, that may have several reasons that the major reasons are as follow:

- Existence of some malfunctions in banking rules
- They are not following banking rules when offering banking services
- Nonexistence of expert people
- Staff behavior (e.g. cashiers, customer service officers, etc...) customers waiting line problems and high service charges are the main problems of banking service

quality in Afghanistan. Banks can increase their service quality by offering unlimited services, they should deliver and offer all the services which customers are in need of, and the staff behavior of a bank is also one of the key point in order to have a better banking service quality.

## 5.2 Recommendations

After data analysis from the research which was done, the researcher strongly suggests the following points to be considered:

1. Hiring professional and well trained staffs in order to behave professionally in good manner with customers and reach their needs in less time and further they need to review how they maintain their customer relationship management standards. This element should be revised as respondents of the surveys and even experts stated about poor customer service, perhaps it worth that all banks must groom the knowledge of their front office staff about how they should meet, greet and treat customers.
2. Reduction of Time waiting problem that many customers are sensitive with, which can be reduced by hiring or increasing number of employees and using of modern technology both in main and local branches.
3. Banks through their marketing activities must come up with new awareness programs (Increasing advertisement is another way for improvement of public awareness which can help the bank to reach its goals and targets) and increase the confident level of people against banks and give them assurance that their money is really safe with the existing banks.
4. Most of the customers are new (nearly 1 to 3 years of banking experience), so banks have to keep them with all their efforts by delivering high standard

services/products and answer their needs on time, because attraction of a customer is a good skill but keeping and maintaining of the customers is much more important and tougher.

5. Well management can help the banks to perform well and achieve their targeted goals but mismanagement will have inverse result. So all banking managers and staffs should be trained time by time to learn more about banking system and its management.
6. Although local banks face many challenges in Afghanistan in every aspect but they must try to get people's trust and move around the economy cycle. Because banks play the key role in economic growth and development of the country.
7. Most of the current customers are bachelor and I think these are the newly entrepreneurs that have started their businesses and reached to a level. So keeping them will bring good and positive points for the banks and for the society.
8. Innovation in banking services like e-banking, ATM cards creation of many different new services/products have encouraged the people for opening bank account. So naturally the people always wait for the modernism and innovation.
9. Local Banks should take more parts in social activities because a sound bank does not only think of its own profit (maximize its profit) but also think about its community to help them and give it back to them.
10. Banking system should be accessible and available across the country to facilitate for people to keep their money in bank and use its services/products anywhere easily.

11. People should have knowledge of using banking services because if bank provides high level of services and people even don't know how to use it, thereby the services of banks will be useless.

### 5.3 Recommendations for Further Research

The study sought to determine the effect of staff training, employee motivation and technology, security, customer knowledge, hiring unprofessional staff on customer service delivery in Afghanistan local banks. The study recommends that a study should be done on the challenges faced in customer service delivery in Afghanistan Local banks.

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