The assessment of critical factors influencing service quality of banking system in Iran

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This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn

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ABSTRACT

The present paper is a study aimed at the assessment of factors of service quality. This is accomplished by measuring the level of perceptions and expectations of the respondents from the delivered services and subsequently, finding the critical factors influencing customer`s perceived service quality in Iran. Perceived service quality is the difference between the customer`s perceptions and expectations. In other words, finding the service quality gap is the aim of the study. Karafarin bank was chosen as an example for this study. Based on the literature review, SERVQUAL model was selected for this study that includes five dimensions of "tangibility, reliability, responsiveness, assurance, and empathy." To have accurate results, four dependent variables were chosen as the main indicators of perceived service quality. Also, the second aim of the study is to find whether there are differences among customers in perceived service quality or not. So, the customers were categorized into four types of "normal individual customers, VIPs, small business customers, and large business customers." Data were collected with questionnaire by convenient sampling technique. The target population of this research was the account holders of 3 branches of Karafarin banks in the city center of Tehran. The population size was estimated at 175 and the sample size of 120 was obtained. The questionnaire contains 60 close-ended questions with no labels and no strategic or personal information related to the bank or the customers. The result revealed that there are significant service gaps in all dimensions of tangibility, reliability, responsiveness, assurance, and empathy. The results show that normal individual customers value responsiveness more while VIPs, small and large business customers value empathy more. Also, testing hypotheses show strong correlations between perceived service quality and customer satisfaction, trust, word of mouth, and loyalty. Customer satisfaction and loyalty were the best indicators of service quality. Besides, results show that there are no significant differences among four customer types of normal individual customers, VIPs, small business customers, and large business customers in perceived service quality, customer satisfaction, and loyalty, while trust and word of mouth were significantly different among the customer types. Based on the results, Karafarin bank is suggested to improve its services in all five dimensions. In addition, categorizing customers is not necessary to measure the service quality as the customer perceptions and expectations from the delivered service are not significantly different but necessary to improve service quality because the dimensions that are valued by different customer groups are different.

Keywords: SERVQUAL, service quality, tangibility, reliability, responsiveness, assurance, empathy, customer satisfaction, trust, loyalty, word of mouth, WOM, Customer types.

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1. CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND

Nowadays, the customer`s behavior is getting more complicated and business environments are getting more competitive by globalization, and companies and organizations have no choice except to improve their products and services in order to survive in the dynamic international environment. (Mahmoud M. Yasin 2004). Among all the areas in business fields, service sector is the most challenging because of its features like intangibility and service quality has become one of the most important factors in competition among organizations and companies and caught entrepreneur`s attention as well because of its key role. (Amy risch Rodie 2001). Thus, service quality is known as a strategy for companies to compete in the market and higher level of service delivery that leads companies to a better position and success in the market place (J. Joseph Cronin 1992). During 1980s service quality concept got incredible attention both for researchers and company managers because of its effect on the profit of the company (Valarie A. Zeithaml. 1996) The concept of service quality from (Mary jo Bitner 1994) view has a simple definition "customer`s overall impression of the relative inferiority/superiority of the organization and its services" while (Naser 2002) believes that this concept is more sophisticated as a multidimensional phenomenon includes so many different dimensions. While so many researchers include (J. Joseph Cronin 1992) believe that service quality is very difficult to find and measure, (Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985) presented a model that can measure service quality by categorizing the factors influencing the quality of services. This model represents 10 dimensions for service quality including tangibility, reliability, responsiveness, communication, creditability, security, competence, courtesy, and understanding/knowing customers. In 1988 (Parasuraman, Zeithaml and Berry 1988) represented SERVQUAL model by the development of ten overlapping dimensions of service quality model. SERVQUAL model categorizes the factors of service quality into five dimensions (tangibility, reliability, responsiveness, assurance, and empathy). The model measures the gap between customer perception and expectation. Also, (Grönroos, Strategic management and marketing in the service sector 1982) and (Booms 1983) believe that service quality is the gap between customer expectation and perception and by measuring the gap we are able to find the service quality level delivers by the companies and

organizations. So, the difference between service quality expectation and perception is the service quality gap which is called perceived service quality. Service quality expectation is different from customer satisfaction. Expectation is the desire of customers from the company. In other words, expectation is the feeling of customers about the service should be offered by the company while satisfaction is the feeling. (Parasuraman, Zeithaml and Berry 1988) found that Customer satisfaction is the outcome of service quality perceptions meeting service quality expectations. However, the concept of customer satisfaction is broader which is described as an emotional or cognitive response that includes expectation, product and consumption experience. (Cote 2002) .This is so important for the companies and managers to know while there are different, there is a link between them. Knowing this helps managers to look for satisfied customers instead of offering the highest level of services that customers expect which will be so expensive and leads to a reduction of the profit margin. (J. Joseph Cronin 1992).

The purpose is to be able to provide improved service that results in more satisfied customers and consequently loyal customers. This, of course, will eventually lead to higher profits. Today, so many companies monitor the quality of their services in order to have an increased profit and market share (R.F. Blanchard 1994). The key to fulfill this desire depends on so many factors. Not only there is a link between service quality and customer satisfaction but also some similar links among service quality and trust, loyalty, and word of mouth. According to (Papassapa Rauyruen 2007) there are three different types of loyalty: behavioral loyalty, attitudinal loyalty and composite loyalty. This study focuses on Attitudinal loyalty which has a link with positive word of mouth and arouses customer`s willingness to recommend this bank to others for all banking transactions. (Heskett 1997) developed a model which is called 'service profit chain'. The model shows strong relations between customer satisfaction, loyalty, and service quality. Based on this model, loyalty is the outcome of customer satisfaction. In another paper by (Singh 2012) ,trust and word of mouth are shown as the results of customer satisfaction. Also (Papassapa Rauyruen 2007) claims that trust is the principal factor to achieve customer loyalty. As a conclusion of all the links, the author developed the model that shows the relations among service quality model (five dimensions model) and four other factors (customer satisfaction, loyalty, trust and word of mouth):
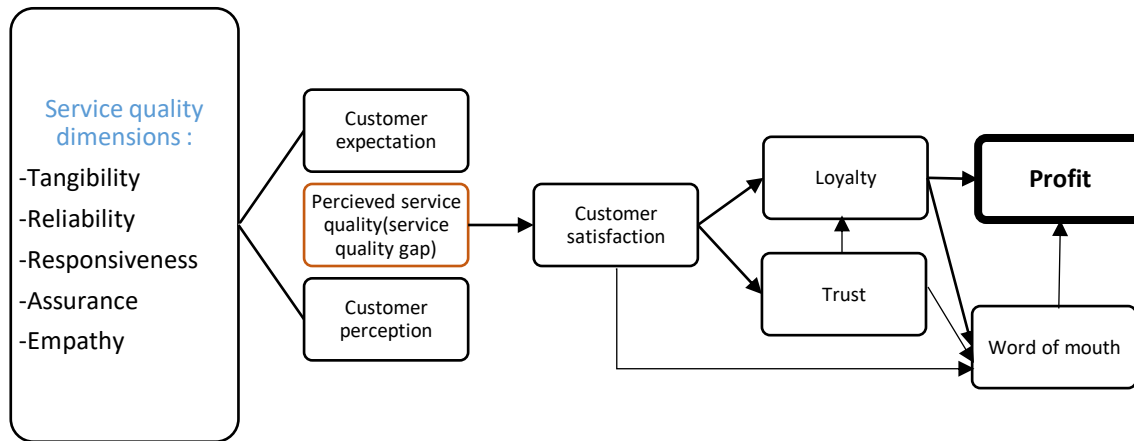
FIGURE 1:THE RELATIONS AMONG SERVICE QUALITY MODEL AND CUSTOMER SATISFACTION, TRUST, LOYALTY, AND WORD OF MOUTH (AUTHOR 2020)

1.2. STATEMENT OF THE PROBLEM

The increasing changes in developing and applying for technology advances by service provider companies led them to fundamental changes at all levels. The result is having less loyal and more price-sensitive customers who act wiser in their purchasing (Christou 2006) .the growing awareness of customers created the phenomenon called "consumer sovereignty" and it forces service providers to care even more about their customer`s need (Paul Goodstadt 1990). So many researchers consider service quality as a competitive advantage to overcome this situation. (Shetty 1985) (Leonard L. Berry 1989). So many reports indicate that most of the banks are losing their customers because of the underestimation of service quality importance and inadequate customer relationship. A survey which was conducted in 1992 showed that 10% of unhappy customers. Another survey showed that 40% of unhappy customers in the US changed their banks and 25% closed their accounts (R.F. Blanchard 1994). The competitive banking market of Iran forces companies to update their services to take the competitive advantage from their rivals as well. The story of the banking system in Iran was started on May 4th, 1925 by the establishment of the first bank under the name of Sepah bank. This bank is owned by the government and it is one of the

biggest Iranian banks nowadays with 1766 local branches and four overseas branches in Paris, Rome, Frankfurt, and London. (Sepah n.d.). In 1983 after the revolution, the government nationalized the banking system by only allowing public banks to work actively. In 1999 by entering private banks in the market the competition in the banking system of Iran become fierce (Reza Najarzadeh 2013). Private banks brought special services and in a very short time they could absorb a lot of people to the private section and this showed the importance of delivering service quality for the bank's users.

As a conclusion, by considering the problem era discussion, service quality improvement is necessary for the service providers and the managers to survive in a tough competitive environment. Karafarin bank as the case study of this paper is used to show the solution to the mentioned problem. The strategy makes service quality even more important and fulfillment of its costumers` comfort plays a key role to succeed in the market. So, based on the discussion, this research is trying to identify the aspects of services that are important for different customer segments. This identification will help the bank reduce the service quality gap.

1.3. PURPOSE OF THE STUDY

The purpose of the study is to assess the critical factors influencing service quality using SERVQUAL model and measure satisfaction, trust, loyalty, and word of mouth that help to identify the service gap. Karafarin bank is the case study for this paper which is only an example. The main objectives of this study can be classified as follow:

- Assessment of service quality level of Karafarin bank by using SERVQUAL model.
- Measuring the service quality gap in all customer groups (normal individual customers, VIPs, small business customers, and large business customers).
- Measure satisfaction, trust, loyalty, and word of mouth in each group which helps find better the service quality gap in Karafarin bank.
- Finding the factors that different customer groups value more.

This study finally helps the bank to improve its service quality delivering to the customers and as a result, increase the final profit. The figure below shows the conceptual framework of the study which includes the variables and samples:

Indipendent variables	Customer expectation	Dependent variables
•Tangibility •Reliability •Responsiveness •Assurance •Empathy	**Service quality gap** Customer perception •Normal individual customer •VIP •Small business customer •Large business customer	•Satisfaction •Trust •Word of mouth •Loyalty

FIGURE 2-CONCEPTUAL FRAMEWORK OF THE STUDY (AUTHOR 2020)

1.4. RESEARCH QUESTIONS

The following questions are considered as research questions of this study in order to solve the problem that was mentioned above:

- Is there any service quality gap between service quality delivery and customer expectations for all types of customers in Karafarin bank?
- What are the critical factors in delivering service quality by Karafarin bank for normal individual customers, VIPs, small business customers, large business customers?

Also, sub research questions are as follows:
- Is there any relationship between perceived service quality and customer satisfaction?
- Is there any relationship between perceived service quality and trust?
- Is there any relationship between perceived service quality and customer word of mouth?
- Is there any relationship between perceived service quality and loyalty?

1.5. SIGNIFICANCE OF THE STUDY

This study tries to find the critical factors which play key roles in service quality delivering in Karafarin bank. Providing a framework for service quality by considering service quality dimensions and other factors like customer satisfaction, trust, word of mouth, and loyalty will help Karafarin bank to find the gap between customer expectation and perception. This finding enables the bank to enhance its strategies and improve service quality in order to avoid losing the customers by their willingness of switching to another bank. Also, the outcome of this study can be used by other banks and managers because of so similarities among banks. The study also helps researchers and managers to understand the correlation among service quality dimensions and customer satisfaction, trust, word of mouth, and loyalty and helps them to understand that different customers have different expectations and perceptions they need to offer different services depends on the customers` type.

1.6. SCOPE OF THE STUDY

This study is limited to account holders of Karafarin bank. However, this bank has branches all over Iran in different cities, this study only focuses on five branches in Tehran and then generalize the result because of similarities sharing among customers in all branches.

1.7. STRUCTURE OF THE THESIS

The remainder of the thesis is structured as follows:

Chapter two: this chapter is about literature review, describes past literature related to service quality, the models and dimensions, customer satisfaction, trust, word of mouth, and loyalty. This chapter also presents the conceptual framework of the study.

Chapter three: this chapter is about methodology. This chapter shows the research design. All the strategies related to sampling and questionnaire are fully described in this chapter.

Chapter four: this chapter presents the results and data that are gathered and analyze them in order to answer the research questions. The outcome will show the gap and differences in each customer`s group.

Chapter five: this chapter includes a summary of the study, main findings, conclusions, recommendations, and limitations for Karafarin bank.

2. CHAPTER TWO: LITERATURE REVIEW

The chapter reviews service quality and service quality models´. The models also cover the relationship between service quality and satisfaction, trust, loyalty, WOM.

2.1. CONCEPT OF QUALITY

The concept of quality is so broad and quality has a lot of meaning and different definitions. (Godfrey 1999) believes that among all the definitions about the concept of quality two of them define quality more precisely.

- . "Quality" means those features of products that meet customer needs and thereby provide customer satisfaction. In this sense, the meaning of quality is oriented to income. The purpose of such higher quality is to provide greater customer satisfaction and, one hopes, to increase income. However, providing more and/or better-quality features usually requires an investment and hence usually involves increases in costs. Higher quality in this sense usually "costs more."
- "Quality" means freedom from deficiencies—freedom from errors that require doing work over again (rework) or that result in field failures, customer dissatisfaction, customer claims, and so on. In this sense, the meaning of quality is oriented to costs, and higher quality usually "costs less."

These two different views on quality have a point of discussion. The main point of discussion is if quality increases or reduces the costs. (Green 1993) argues that the nature of quality is relative. "it means different things to different people". Quality is a judgment by users. It is a feeling of users about services and products in which they feel their needs are fulfilled by the products and services (Howard Gitlow 1989). Quality is a determination by the users from their experience, not marketing, managers, or engineers (Feigenbaum 1983).

Considering the different views discussed above about quality, as a conclusion the author of this paper claims that quality has a relative nature and it is a feeling or a judgment about products and services by users based on the previous experience that might costs more or even less for the producer or service provider.

2.2. CONCEPT OF SERVICE

By the accelerating service market, the concept of service has been defined from a unique perspective by many researchers in literature. The reason for this variety stems from the service features like intangibly. (Grönroos 2001) describes service as a process that has an outcome only during production and consumption processes at the same time. In other words, the presence of producer and consumer is necessary for the completion of this process. Service is changing in the feeling of customers (Hill 1977). Service is a part of product that includes goods and services which is defined as an act. (B. Edvardsson 1997) (B. G. Edvardsson 2005) (Lovelock 2005). Service is a process, not a thing. (Lovelock, Services marketing 1991). (Wirtz 2007) believes that service is time-based that leads to desire changes in customers. Service is designed to benefit not only the entity itself(self-service) but also to another entity (Vargo 2004). However, all these definitions based on previous literature cannot describe the nature of service and is not able to distinguish the difference between goods and services. A service-research is offered by (Valarie A. Zeithaml 1985) to describes the difference between physical goods and services by categorizing the characteristic features of them. IHIP (intangibility, heterogeneity, inseparability, and perishability) is the most commonly used model that differs goods from services. However, it has been criticized for the similarity of characteristics (B. G. Edvardsson 2005). To answer this criticizes, (Keller 2006) offers a new characteristic for service. "benefit, not ownership" means that the purchaser's benefit from services while ownership is what customers gain by purchasing goods.

2.2.1 TYPES OF SERVICES

In order to categorize the different types of services, (Fitzsimmons 2001) introduces a matrix based on two dimensions that affect service delivery. Schmenner`s service process matrix categorizes services into four types. The vertical dimension measures the degree of intensity while the horizontal dimension measures the degree of interaction and customization. The main four types of services are service factory, service shop, mass service, and professional service.

	Degree of interaction and customization	
	Low	High
Low	**Service factory**	**Service shop**
High	**Mass service**	**Professional service**

*(Row label, vertical: **Degree of labor intensity**)*

TABLE 1-SCHMENNER`S SERVICE PROCESS MATRIX (FITZSIMMONS 2001)

Another service model is offered by (Grönroos, Service management and marketing : a customer relationship management approach 2001) that divides services into high touch and high tech services. High touch refers to the services which are dependent on human resources during service process while high tech services refer to the services which are based on technology and physical resources. In the case of banking services which is the main issue of this research, the services related to technology and physical resources like internet and mobile banking services are high tech while services like supporting customers can be counted as high touch services.

2.3. CONCEPT OF SERVICE QUALITY

This is exceedingly difficult to have a unique definition of service quality concept due to the characteristics of services. The definitions that are used by academicians and practitioners are failed to be used by managers for decision making (Grönroos 1984). Service quality evaluation is more difficult for services compare to goods (Swan 1996). To have a clear picture of service quality concept it is necessary to follow the following two steps: (1) how consumers perceive service quality. (2) determine how service quality is influenced. (Teresa A. Swartz 1989)finds a key link between (Grönroos 1982) and (Lehtinen 1982) service quality dimensions. (Teresa A. Swartz 1989) categorizes activities during service quality process from point of (Grönroos 1982), (Teresa A. Swartz 1989) and (Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985) views based on two dimensions of "what" and "how" service is delivered (Patrick Asubonteng 1996). The table below shows the differences of the three views of service quality dimensions:

Dimensions of service quality

Description	(Lehtinen 1982)	(Grönroos 1982)	(Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985)
What (evaluated after performance)	Physical quality	Technical quality	Outcome quality
How (evaluated during performance)	Interactive quality	Functional quality	Process quality

TABLE 2-SERVICE QUALITY DIMENSIONS (TERESA A. SWARTZ 1989)

(Swan 1996) describes service quality as the difference between expectation and perception of the consumers. If the performance does not satisfy the consumer expectation, they judge service quality as low (Oliver 1980). In fact, service quality is the gap between expectation and perception of consumers from services (Booms 1983) (Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985).

2.4. SERVICE QUALITY MODELS

A lot of models were developed to describe the nature of service quality. The variety of different approaches to service quality leads to having numerous models of service quality. (1)expectancy-disconfirmation approach, (2)performance-only approach, (3)technical and functional dichotomy approach, and (4) Service quality versus service satisfaction approach are the main approaches that are the main base of service quality models.

2.4.1. EXPECTANCY-DISCONFIRMATION APPROACH

This approach tries to find the gap between expectation of consumers from services and what they really experience from delivered services. It is a comparison between what they expect and the evaluation of delivered services (Oliver 1980).

- **GRÖNROOS SERVICE QUALITY MODEL:**

One of the very first service quality models by expectancy-disconfirmation approach is (Grönroos 1984).

"Perceived quality of given service is the outcome of an evaluation process where the consumer compares their expectations with the service he perceives he has received." (Grönroos 1984)

This model has two dimensions. Technical quality is answering the question of what consumers receive(perception), while functional quality tries to answer the question of how they receive this service(expectation). The image of a company is strongly associated with the services they offer to the costumers. Hence, the image of the firm is mostly influenced by technical and functional quality. The diagram below shows the service quality model offered by (Grönroos 1984):
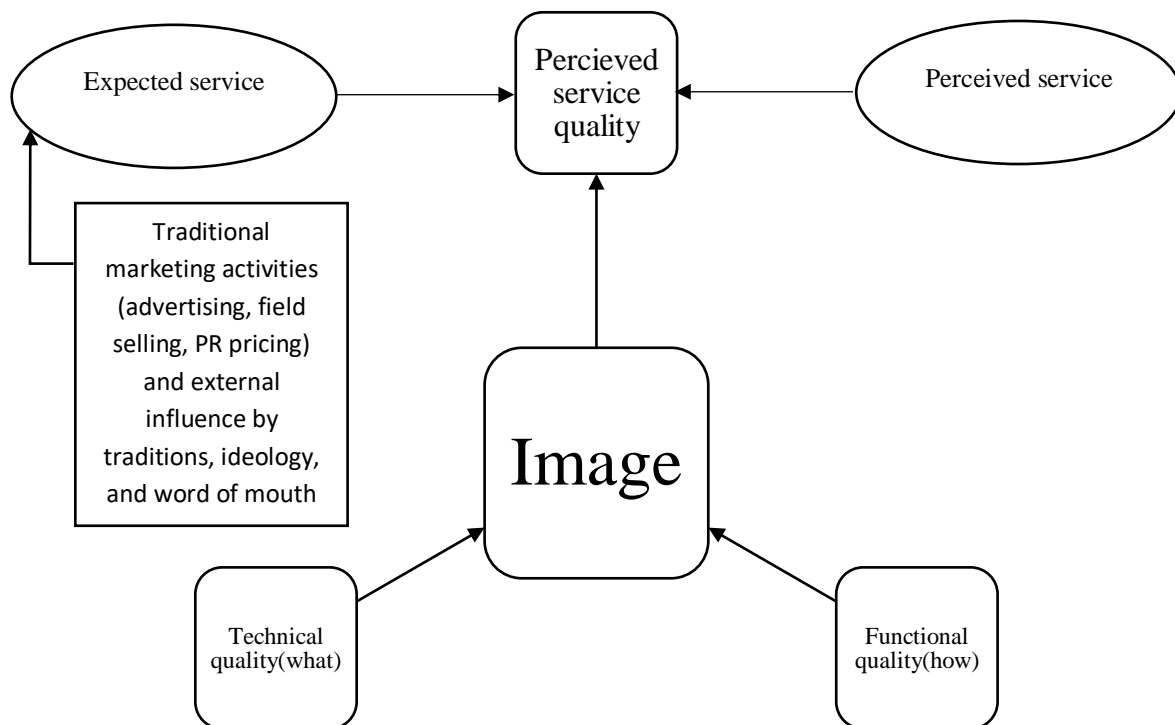
FIGURE 3-GRONROOS SERVICE QUALITY MODEL (GRÖNROOS, A SERVICE QUALITY MODEL AND ITS MARKETING IMPLICATIONS 1984)

Another model that is offered by (Lehtinen 1982) has also a similar model in which physical quality describes what is offered and interactive quality is how is offered (Teresa A. Swartz 1989).

- **SERVQUAL MODEL**

One of the most reliable service quality models with expectancy-disconfirmation approach is SERVQUAL model offered by (Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985). This model is created by developing the (Oliver 1980) and (Grönroos, A Service Quality Model and Its Marketing Implications 1984) service quality models. This model introduces service quality as discrepancies between expectation and perception of customers from delivery services. The model tries to find the between expectation and perception by measuring service quality in 10 criteria:

- Reliability: It means that the firm offers the right service at the right time. It means accuracy in everything the firm does.
- Responsiveness: It refers to the willingness of the employees to help and offer services.
- Competence: It is associated with the knowledge of the employees in the firm to offer services.
- Access: It involves all the ways customers have access to the firm and services include locations and phones.
- Courtesy involves how the employees are polite with the customers
- Communication: It involves listening to the customers and keep them inform with proper information.
- Creditability: it means that being trustworthy and honest to the customers.
- Security: it involves physically, financially, and confidentially safety for the customers.
- Understanding/knowing: It means that the firm is able to understand customer needs.
- Tangibles: includes all the physical environment of the firm (Parasuraman . Valarie A. Zeithaml . Leonard L.Berry 1985).

In 1988, (Parasuraman, Zeithaml and Berry 1988) revised the previous model of 1985 by combining five dimensions of communication, creditability, security, competence, and courtesy and offered a new unique dimension which is called assurance. Also, understanding/knowing customers has changed to empathy. So, the five dimensions of the new service quality model are

tangibility, reliability, responsiveness, assurance, and empathy. In the figure below you can see the dimensions of service quality gap model offered by (Parasuraman, Zeithaml and Berry 1988):

Dimensions	
Tangibility	Physical facilities and equipment.it includes the appearance of personnel as well.
Reliability	Ability to deliver the right promised service at the right time and accurate.
Responsiveness	Willingness to help customers and provide the right services fast.
Assurance	Knowledge of the personnel to fulfill customer`s needs and make them trust and confident.
Empathy	Caring, individual attention to the customers and understand them.

TABLE 3-SERVQUAL MODEL DIMENSIONS (PARASURAMAN, ZEITHAML AND BERRY 1988)

(Zeithaml 1996) found that the dimensions of SERVQUAL model is more relevant to the banking service sector. Tangibility is more related to facilities in banks, reliability is about how accurate they are how good is their reputation, Assurance is related to customers` trust, Communication which is related to responsiveness is relevant to customers` complaint, empathy is the link between customers and banks (Terrence Levesque 1996) and tangibility also has the key role in customers` decision and evaluation of service quality (Ahmad Jamal 2002).

2.4.2. THE PERFORMANCE-ONLY APPROACH

This approach tries to evaluate service quality by only perception of customers from delivered services (W.Boller 1992).

- **SERVPERF MODEL**

This model, unlike SERVQUAL focuses on the perception of customers from services. The model is believed to be more accurate to evaluate service quality because this model is closer to customer satisfaction and purchase intention. This model claims that service quality should be measured as an attitude. This model reduces the number of factors that are measured by removing the expectation part. The comparison between SERVQUAL and SERVPERF model by (J. Joseph Cronin 1992) shows the more theoretical supports of SERVPERF model. Also, the results show

stronger relationships among customer satisfaction, purchase intention, and SERVPERF model. However, the model might be vague as it does not evaluate maximum expectation of customers.

2.4.3. THE TECHNICAL AND FUNCTIONAL DICHOTOMY APPROACH

This approach tries to evaluate service quality based on two dimensions of technical and functional. The functional dimension shows the physical characteristic of the product while the technical dimension focuses on the intangible dimension of the product like how the personnel treat customers. Again, one of the best models is Grönroos service quality model (Grönroos 1982) which shares so similarity with physical-interactive offered by (Lehtinen 1982). Inadequate information of customers makes functional dimension more valuable compare to technical dimension. (Donabedian 1980).

2.4.4. SERVICE QUALITY VERSUS SERVICE SATISFACTION

This approach was built based on the serious criticize of SERVQUAL model. (Anders Gustafsson 2004) claims that the approach of SERVQUAL model does not evaluate customer satisfaction and loyalty because its focus is on service quality. In order to evaluate customer satisfaction and loyalty, two different models were built with different focuses. On the one hand, (Anders Gustafsson 2004) in order to assess the overall customers` experience with delivered services offered a satisfaction model. One the other hand, (William Boulding 1993) offered a dynamic process model of service quality that focuses on specific features of quality.

1. ATTRIBUTES IMPORTANCE MODEL

This model focuses on finding attributes that play key roles in customer satisfaction. For example, accessibility is the key factor for pharmacies or banks. The model categorizes attributes into reflective and formative attributes. The figure below shows how the model categorizes the attributes and how they are relevant to satisfaction and loyalty (Anders Gustafsson 2004):
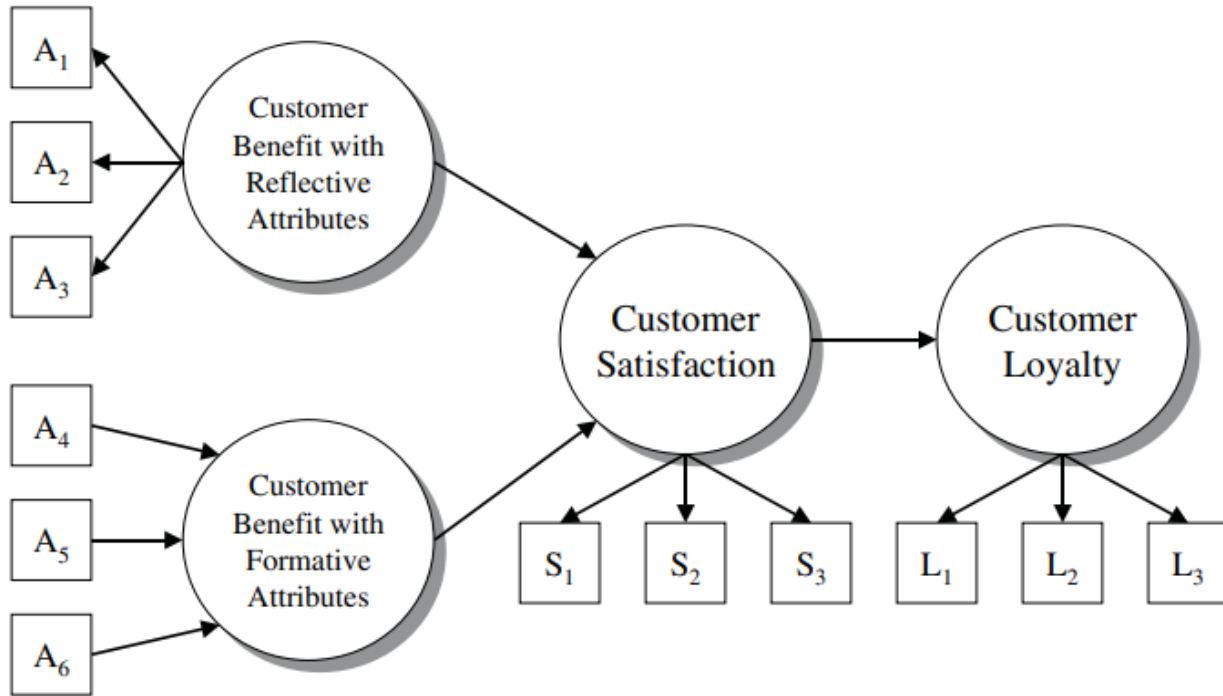
FIGURE 4-ATTRIBUTES IMPORTANCE MODEL (ANDERS GUSTAFSSON 2004)

2. DYNAMIC PROCESS MODEL

The model also deals with the assessment of expectation and perception of the customers. But the point of difference is that the behaviors of customers are influenced only by current perception from delivered services, not their expectation. The figure below shows how this model describes the relationship among various factors lead to behavioral intention (William Boulding 1993):

WE = Will Expectation
SE = Should Expectation
DS^{*} = Delivered Service
PS = Perceived Service
OSQ = Overall Perceived Service
BI = Behavioral Intention

BI_{i1} BI_{i2}

OSQ_{i1} OSQ_{i2}

PS_{ij1} PS_{ij2}

DS^{*}_{i1} DS^{*}_{i2}

WE_{ij0} WE_{ij1} WE_{ij2} etc...

X_{1} X_{2}

SE_{ij0} SE_{ij1} SE_{ij2} etc...

Z_{1} Z_{2}
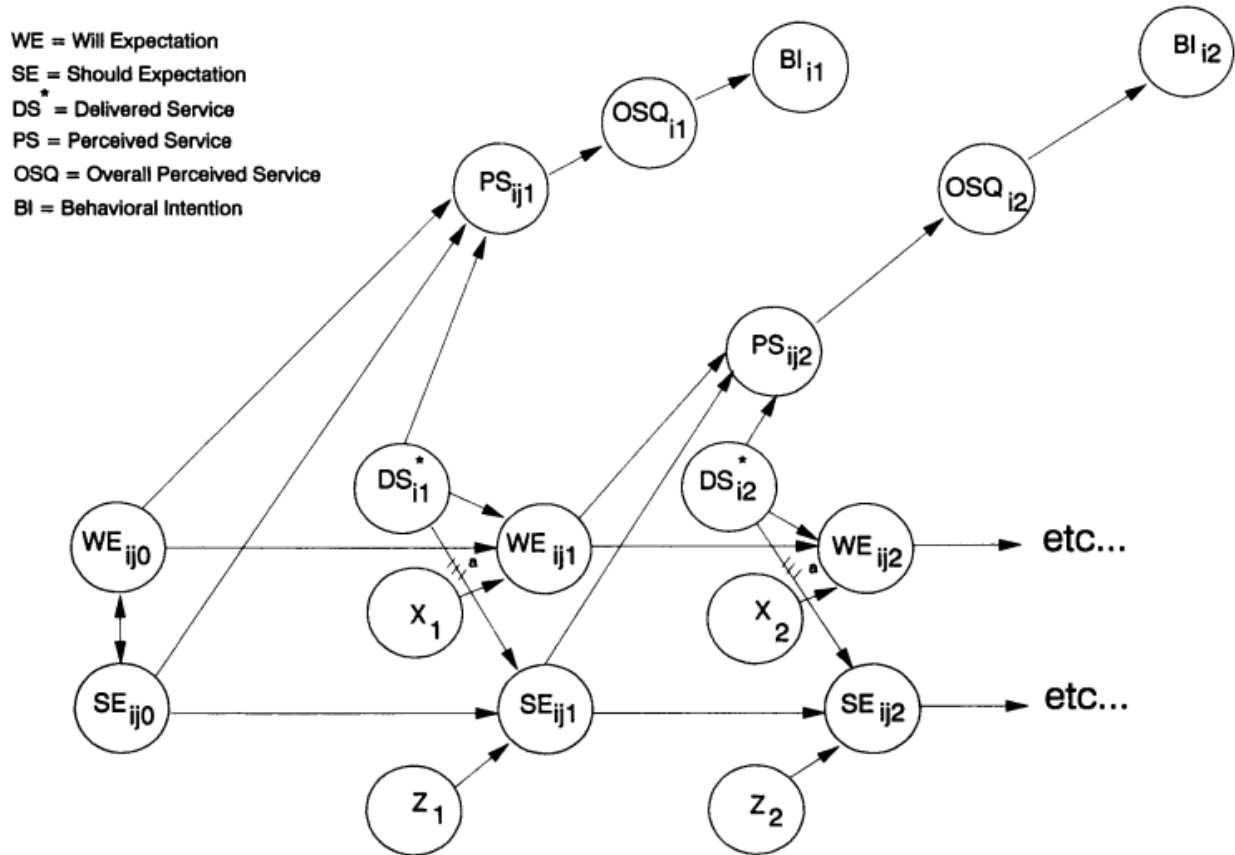
FIGURE 5-DYNAMIC PROCESS MODEL OF SERVICE QUALITY (WILLIAM BOULDING 1993)

2.5. DEPENDENT VARIABLES

As a conclusion of all the models for service quality and as an attempt to measure the service gap more precisely, four dependent variables(customer satisfaction, trust, word of mouth and loyalty) have been chosen for the study. The chosen variables able the researcher of this paper to find the gap better and as a result, reliable finding.

2.5.1. CUSTOMER SATISFACTION

The definition of customer satisfaction does not look crucial before you ask people to describe it. Then you will realize the importance of a clear definition of customer satisfaction (Cote 2002). There is a difference between customer and consumer. Customer is the purchaser of goods or services while consumer is end-user of goods or services (Datta 2016). But in this study consumer

and costumer are the same because service purchasers in banking system are end-users. One point which is really important is consumer satisfaction has to meet consumers` needs. But the question of if customer satisfaction is a process or an outcome has been a point of discussion among researchers (Yi 1990) (Cote 2002). There are some criticizes for each approach. Some believe that operational approach has little attention on the satisfaction process, while others believe that definitions based on process approach got stuck with previous literature. From the outcome approach (Reilly 1983) describes consumer satisfaction as:

"An emotional response to the experiences provided by, or associated with, particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace"

Researchers describe consumer satisfaction from different views. But all of them called consumer satisfaction "an evaluation." The process approach considers the whole processes that lead to consumer satisfaction. So, it seems that this approach estimates consumer satisfaction more accurately by considering all the levels lead to final satisfaction. Process approach focuses on all perceptual, evaluative, and psychological processes that finally create satisfaction in consumer (Yi 1990). The importance of customer satisfaction stems from the strategy that leads customer to buy other services. Also, satisfied customers say positive word of mouth and help firms to gain a competitive advantage compared to their rivals (Valarie A. Zeithaml. 1996). (Sullivan 1993) believes that there is a relationship between experienced customers and sensitivity on prices. Experienced customers have more precise expectations and it reduces the sensitivity on the prices. This relationship shows the importance of customer satisfaction and it affects the profit of firms. Hence, banks need to consider customers` needs in order to meet the requirements (Cunningham 2201).

2.5.2. TRUST

(Christine Moorman 1992) defines trust as "the willingness to rely on an exchange in whom one has confidence" But generally there are two different approaches to the concept of trust. From the first approach, trust is a belief. It is a feeling of trustworthiness between to partners (Pruitt 1981) (Rotter 1967). The second approach knows trust as a behavioral intention includes uncertainty

(Coleman 1990). The second approach seems that offers a more precise definition of trust since this considers the unpleasant emotion after they wrongly trust in the exchange partner (Deutsch 1958). However, trust loses its meaning without both belief and behavioral intention (Deutsch 1958). In banking system, customer is affected by how the employees and managers are knowledgeable and can answer their questions and guide them (Po-Young Chu 2012). In SERVQUAL model, trust is believed to have a strong relationship with responsiveness dimension as well (Parasuraman, Zeithaml and Berry 1988). This paper measures the level of trust and finds the correlation between trust and SERVQUAL dimensions.

2.5.3. WORD OF MOUTH

the importance of word of mouth (WOM) lays in its key role in marketing and how it is an effective tool for marketing compare to other marketing tools like new paper, TV, and radio. (Katz 1955) found WOM has the most effect on customer`s behavior to switch to another brand. Seven times compared to newspaper and TV, four times compared personal selling and twice compare radio advertisement show that the effectiveness of WOM is way more than other sources influencing customers` purchasing attitudes (Jacqueline Johnson Brown 1987) (Harrison-Walker 2001). Even in some studies, positive word of mouth is mentioned as "ultimate product success factor" (Day 1971) (Geoffrey C. Kiel 1981) (Harrison-Walker 2001). To categorize the features of WOM, the author categorizes them into three types based on literature reviews. Also, for each section there are some shortcomings and deficiencies that are outlined below:

- ✓ WOM has two opposite sides like a coin. WOM can be just as good and useful as it can be bad and harmful. Favorable WOM can be a simple recommendation or a pleasant experience from purchasing.
  - o Previous literature focuses on favorable WOM and there are few studies about unfavorable WOM while it is as important as favorable type (Harrison-Walker 2001).
- ✓ WOM is difficult to be measured.
  - o There is no reliable systematic process of measuring WOM. The existing measures are not precisely describing the potential of WOM (Harrison-Walker 2001).
- ✓ WOM is an effective marketing tool (Bone 1992).

o Most of the studies focus on the effect of WOM on receivers (Bone 1992) and only few studies have been done about the sender of the message (Hair 1998).

2.5.4. LOYALTY

Most of the earlier studies focus on loyalty on tangible products. The easier measurement of customer loyalty in goods caused to have fewer researches about loyalty in services (Oliver Richard 1997). There is no unique definition of loyalty in the literature (Jacob Jacoby 1978). (Hammond 2003) claims that loyalty is "the feature of people." The definition attributes loyalty to customers instead of brands. The paper offers three different approaches to loyalty as follow:

1. "loyalty is an attitude that sometimes leads to a relationship with the brand."
2. "Loyalty is revealed behavior."
3. "Buying moderated by the individual's characteristics, circumstances, or purchasing situations." (Hammond 2003)

(Lindestad 1998) also describes loyalty as "Intended behavior" of customers to the products. (Basu 1994) by offering a model for loyalty describes it as below:

"Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage"

The model describes loyalty based on two dimensions of (relative attitude) and (repeat patronage). The table below shows the (Basu 1994) loyalty model:

		Repeat patronage	
		High	**Low**
Relative attitude	**High**	True loyalty	Latent loyalty
	Low	Spurious loyalty	No loyalty

TABLE 4-LOYALTY MODEL BY (BASU 1994)

(Gendall 2004) in the study in 2007 tested this model. The result showed the importance of relative attitude and repeat patronage factor. In another study in loyalty field, (Miller 2007) defines three different types of loyalty:

1.   Behavioral loyalty: this loyalty is about purchasing pattern of customers.
2.   Attitudinal loyalty: this loyalty leads to positive word of mouth.
3.   Composite loyalty: this loyalty is the mix of both behavioral and attitudinal loyalty.

(Lindestad 1998) claims that generally there are two main reasons for customers to be loyal. First, the customers are satisfied with the products offered by the provider. Second, there is no alternative provider, or switching to an alternative provider is difficult. However, there is no guarantee that the provider will not have any competitor in the long term, or the barriers of switching will be the same. This is the main reason for the companies or managers to try to have satisfied customers.

2.6.   RELATIONSHIP OF SERVICE QUALITY, SATISFACTION, TRUST, WORD OF MOUTH, LOYALTY, AND PROFITABILITY

Many studies show that the main reason for all these attempts to improve service quality, satisfaction, trust, word of mouth, and loyalty is increasing profitability. Customer satisfaction has a positive correlation with loyalty. Higher loyalty reduces costs, improves competitive advantages, and reputation of the firm and as a result, increases repurchases by customers. This increases the total sales and decreases the costs of attracting new customers and as a result, bigger amount of profit margin (Anderson 1994). In fact, loyalty is the main key to profitability (Lindestad 1998). The strong loyalty of customers in the long term increases the amount of cash flow (Reichheld 1990). Many studies emphasize on less costly of loyal customers (Wiedmann 2005) (Lo 2007) (Pfeifer 2005). Loyal customers have fewer costs, compare to new customers, pay more, and act like marketers using word of mouth (Nicholson 2008). Many researchers also have tried to show these relationships by designing models. (Gremler 2012) designed the model in which satisfaction is the outcome of SERVQUAL dimensions and loyalty is the outcome of satisfaction. (Heskett 1997) established a popular model called "service profit chain" that shows the relationships among service quality, customer satisfaction, and loyalty. The figure below illustrates the service profit chain model:
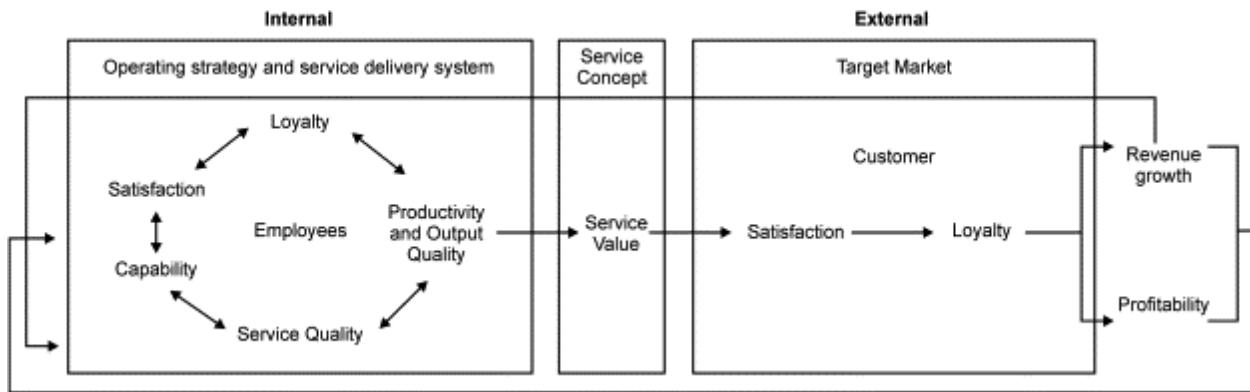
FIGURE 6_SERVICE PROFIT CHAIN MODEL (HESKETT 1997)

Numerous studies also clarify the relationship of service quality, satisfaction, and loyalty in banking sector. (Veloutsou, Daskou and Daskou 2004) in their study confirm that the relationships of service quality and customer satisfaction and loyalty are positive in banking system as well. (Johnston 1997) focuses more on the relationships and attributes responsiveness dimension to customer satisfaction and found that loyalty is the outcome of customer satisfaction. A lot of studies also identify the strong link between trust and loyalty. (Papassapa Rauyruen 2007) claims that trust has a direct effect on loyalty. (Holbrook. 2001) in a study demonstrated the positive correlation between brand trust and brand loyalty in B2B businesses. This is supported by numerous studies like (Christine Moorman 1992) (Hunt 1994). Lack of trust also might lead to less loyalty of customers (Parvez 2009). In another study by (Singh 2012) the relationship of satisfaction, loyalty, trust, and word of mouth are measured. Based on the study, there are two scenarios as outcomes from customer satisfaction. The first scenario is exit and it happens if the customers are dissatisfied and the second scenario with satisfied customers leads to loyalty. In both scenario the final outcome is WOM. Dissatisfied customers do negative WOM by complaints about delivered services and positive WOM is the outcome of loyalty. Besides, there are some other studies that propose WOM can be a direct outcome of customer satisfaction (Lovelock 1991) (Parasuraman, Zeithaml and Berry 1988). Therefore, based on literature review customer satisfaction is the outcome of service quality (Parasuraman, Zeithaml and Berry 1988), WOM and trust are the outcomes of customer satisfaction (Singh 2012) (Parasuraman, Zeithaml and Berry 1988) (Lovelock 2005), customer satisfaction and trust have direct effects on customer loyalty (Holbrook. 2001) (Christine Moorman 1992) (Hunt 1994) (Parvez 2009), WOM also can be the outcome of customer loyalty (Singh 2012) and finally customer loyalty leads to profitability and

revenue growth (Heskett 1997) (Lindestad 1998) (Reichheld 1990). Figure (1) in chapter one shows how service quality, customer satisfaction, trust, word of mouth, and loyalty are related to each other and the final outcome is profit. Many studies have been done to find relationships among service quality, customer satisfaction, trust, word of mouth, loyalty, and profitability. But few studies have focused on service quality dimensions and correlations. The results of this study find the correlations among service quality dimensions and customer satisfaction, trust, word of mouth, and loyalty.

2.7. HYPOTHESES

This study aims is to find the perceived service quality in the Iranian banking system which is the gap between perception and expectation of the customers. The SERVQUAL model offered by (Parasuraman, Zeithaml and Berry 1988) is used to find the perceived service quality of the bank. Thus, the following hypotheses are considered for this study:

- H1: There is a significant difference between expectation and perception of customers in tangibility.

- H2: There is a significant difference between expectation and perception of customers in reliability.

- H3: There is a significant difference between expectation and perception of customers in responsiveness.

- H4: There is a significant difference between expectation and perception of customers in assurance.

- H5: There is a significant difference between expectation and perception of customers in empathy.

There are so many studies that show the relationships between service quality and customer satisfaction. (Gremler 2012) and (Heskett 1997) models show that customer satisfaction is the outcome of perceived service quality. The study considers the following hypothesis based on the literature review:

- H6: There is a positive relationship between perceived service quality and customer satisfaction in the Iranian banking system.

Many studies show the links among service quality, customer satisfaction, loyalty, trust and WOM. (Papassapa Rauyruen 2007) claims that trust, and WOM are direct outcomes of loyalty. Based on (Lovelock, Services marketing 1991) WOM and trust have relationships with customer satisfaction which is the direct outcome of perceived service quality. This claim is supported by many other studies (Singh 2012) (Parasuraman, Zeithaml and Berry 1988). The following hypotheses are considered based on the literature review:

- H7: There is a positive relationship between perceived service quality and trust in the Iranian banking system.
- H8: There is a positive relationship between perceived service quality and word of mouth in the Iranian banking system.

 "Service profit chain" model which is offered by (Heskett 1997) shows the relationships among service quality, customer satisfaction, and loyalty. (Johnston 1997) shows that loyalty is the direct outcome of customer satisfaction and as a result, the indirect outcome of perceived service quality. Thus, the following hypothesis is chosen for this study:

- H9: There is a positive relationship between perceived service quality and loyalty in the Iranian banking system.

One of the aims of this study is to show the differences in perceived service quality based on customer types. The customers were divided into four types based on some features they have. The customers are categorized based on the following features:

- Normal individual customers: They are described as individual customers who have less than 1 billion rials.
- VIPs: They are individuals with more than 1 billion rials.
- Small business customers: They are business customers with a maximum of five employees.
- Large business customers: They are business customers with more than five employees.

Also, the five features of (tangibility, reliability, responsiveness, assurance, and empathy) are considered for this study. The dimensions are described as follow:

- Tangibility: Appearance of physical facilities, equipment, personnel, and communication materials.
- Reliability: Ability to perform the promised service dependably and accurately.
- Responsiveness: Willingness to help customers and provide prompt service.
- Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence.

Empathy: Caring, individualized attention the firm provides its customers.

Based on the argument above, it is assumed that based on the different features of the customers they perceive service quality different. The following hypothesis is considered for the study:

- H10: There is a significant difference in perceived service quality among normal individual customers ،VIPs،small business customers and large business customers

Each type of customer perceives the dimensions of service quality based on their features. Normal individual customers are expected to perceive service quality dimensions as follow:

- They usually go to the branches to do their financial affairs. So, they care about the environment and tangibility.

- They usually do not have emergency transactions. They usually work for companies and receive salaries. Emergency transactions are usually for businesses that have different contracts and sometimes they have emergency transactions to save the contracts and their business. But the transactions for individuals are usually their salaries and their shopping or changing their debit cards. Most of them can be done by internet or mobile banking system. So, reliability is not very important for them.

- They usually do not have large or complicated transactions. They do not have businesses and they do not have activities like import and export products or selling products or provide service. They usually work for companies and use their accounts for their salaries. Most of their transactions are receiving salaries and shopping which are routine transactions in banking systems. So, responsiveness is not very important for them.

- They usually use their accounts to receive salaries. They receive salaries every month and they buy things and shopping in less than a month.so, the money is not in the account for a long time and this issue reduces their sensitivity on assurance. Then, assurance is not very important for them.

- Individuals choose banks based on the feeling instead of having strong rational reasons. The reason is that they do not have a lot of money. Also, they usually have more than one account in banks and this is easy to switch. So, based on the feelings they receive from the banks they choose. Tangibility and how the bank workers behave are the features that make individuals attracted. So, empathy is important to individual customers.

As a result of the above argument, the following hypothesis has been chosen for this study:

> ➢ H10A: Normal individual customers will value tangibility and empathy more.

VIPs are expected to perceive the service quality dimensions as follow:

- They usually find the banks by connections and word of mouth they usually have businesses, or their friends have. Some of them are attracted the banks by the marketing

activities. They already choose the bank before coming. So, the environment and tangibility are not very important for them.

- They usually do not have emergency transactions. They use their accounts for saving. The interest rate is high in Iran (15%) and this is a good motivator. Most of their transactions are internal transactions like transferring money between accounts, buying properties, and changing their debit/credit cards. So, reliability is not very important for them.

- They usually have a large amount of money, but they do not have complicated transactions. The purpose of having an account is the interest rate. They have routine transactions like selling and buying properties. Some of them have businesses and they do complicated transactions with their business's accounts like international transactions. So, responsiveness is not very important for them.

- They have a lot of money and they put the money in their account for a long time to get the interest rate. Then, assurance is important for them.

- They usually expect empathy from bank workers because they have a lot of money. Also, they are individuals and act as individuals. The behavior of bank workers affects them to have a long-term relationship.

As a result of the above argument, the following hypothesis has been chosen for this study.

➢ H10B: VIPs will value assurance and empathy more.

Small and large business customers are expected to perceive the service quality dimensions as follow:

- They usually do not go to the branches to do their financial affairs. They have a representative and he/she is not the decision-maker. Also, they choose the banks by connections and word of mouth or from the marketing of the banks. So, environment and tangibility are not very important for them.

- They usually have emergency transactions. They have many transactions every day that play key roles to keep their business alive. So, reliability is important for them.

- They usually have a large amount of money and have a lot of complicated transactions. But they have proper information about transactions and processes because they do a lot of transactions every day. So, responsiveness is not very important for them.

- They usually have a lot of money and so many people who work in the company are affected by this. so, they are sensitive to losing money. they also need to ensure that business transactions/payments are made smoothly. Then, assurance is important for them.

- They usually do not expect a lot of empathy from bank workers. Business customers think rational because so many people are involved in the business and they affect the decision-making process.

As a result of the above argument, the following hypothesis has been chosen for this study:

> ➤ H10C: Small and large business customers will value reliability and assurance more.

Considering that the different customer groups perceive service quality differently and the relationships among service quality, customer satisfaction, trust, word of mouth, and loyalty, it is expected that to find the differences of customer satisfaction, trust, word of mouth, and loyalty among different customer groups. Thus, the following hypotheses are considered for the study:

● H11: There is a significant difference in customers satisfaction among normal individual customers ‹VIPs‹small business customers and large business customers

● H12: There is a significant difference in trust among normal individual customers ‹VIPs‹small business customers and large business customers

● H13: There is a significant difference in word of mouth among normal individual customers ‹VIPs‹small business customers and large business customers

● H14: There is a significant difference in loyalty among normal individual customers ‹VIPs‹small business customers and large business customers

3. CHAPTER THREE: METHODOLOGY

3.1. INTRODUCTION

This chapter discusses the chosen methodology for this paper. The methodology acted like a guide and helped the researcher to have a better view of the subject, data collection, and analyzing them. It includes research design, sampling method, questionnaire design, data collection, and the instrument for data gathering.

3.2. RESEARCH DESIGN

There are different ways to categorize research design. (Shih 2001) categorizes researches into three different types of qualitative, quantitative, and mixed. The decision of choosing a type of research design depends on so many factors like the nature of the research. Quantitative method is used when the target is to collect hard, standardized and reliable data while qualitative method is suitable to collect rich, deep and soft data and mix method is combination of both methods (T.D 1979). Based on (Williams 2007) quantitative method is divided into three approaches based on the aim of the study. Descriptive design that measures the current situation, experimental that measure the treatment of a group and investigate the outcome. Casual comparative research that examines the effect of dependent variables on independent variables. Also, there are four different descriptive methods to conduct. Correlational research method investigates the differences between characteristics and finds the correlations. Development design measures the changes in characteristics over a certain period. Observational method only sees the treatment and record data. Survey research method which is one of the popular methods collects data from the respondents by sampling. The method uses open or close-ended questions to collect data.

This research tries to find reliable and standardized data from the current situation and then analyze it. So, quantitative method has been conducted for this research and based on the aim of the thesis descriptive method has been chosen for the research. The paper also uses both correlational and survey methods to collect and measure data. So, this paper uses survey to collect data from samples who are representative for the population and finds the correlation between characteristics.

According to (Saunders 2009) researches can be divided into inductive and deductive approaches. Deductive approach includes hypotheses and is designed to test them. On the other hand, inductive approach is based on the final results from analysis and does not include hypotheses. Deductive approach is used for this research because the hypotheses are considered and tested in this research. Also, choosing a case study helped the researcher to have reliable data that can be generalized the result to the population as the customers share so many similarities.

3.3. RESEARCH ENVIRONMENT

Karafarin bank as a representative of other Iranian banks was selected for this research. With more than 60 banks and credit institutions, the research environment is competitive and improving service quality plays a key role for the players in the market to gain competitive advantage. Karafarin bank as the second Iranian commercial bank is the case study of this research and the results can be generalized to the whole market. Focusing on VIPs and business customers as the main strategy forces the bank to improve the services to survive in the environment. Today, Karafarin bank has 109 branches with 58 branches in Tehran city.

3.4. STUDY AREA AND PERIOD

The study is conducted in 3 branches of Karafarin bank in the city center of Tehran. The reason was reducing the cost and time for the survey. Also, the survey is conducted during March 2020.

3.5. POPULATION AND SAMPLE SIZE OF THE STUDY

Using all the population for survey is not realistic, practical, and possible and the cost will be high as well. So, usually in large populations, samples are taken as representative of the entire population. Sample size must be big enough to be generalized and small enough to be cheap and realistic. Because of this reason, 3 branches have been chosen from the city center of Tehran. The population size is estimated at 175 based on the list receiving from 3 selected branches of account holders. Karafarin bank focuses on corporate banking. So, the bank has fewer customers, but the volume of transactions is generally higher compare to other banks. This is the reason the population

is not so big. The sample size is determined by the formula developed by (Yamane 1967). In the following the sample size is calculated by the formula:

$$n = \frac{N}{1 + Ne^2}$$

n= sample size

N= population

e= margin error or precision of the sampling

margin error (0.04-0.08) is usually considered 0.05. so, confidence level is 0.95. the error of 0.05 has been considered for this research as well. Based on the calculation using the formula sample of 120 is obtained. The sample size is sufficient for analysis. Using Morgan table (Morgan 1970) gives the same sample size. Based on the table, for a population of 170, the sample size is 118 and with 180 population, the sample size would be 123. The minimum sample size for one-tailed hypotheses analysis correlation is 64 and 84 for two-tailed hypotheses (Hesse-Biber 2010).

3.6. SAMPLING TECHNIQUE

The population is all the account holders in Karafarin bank. The convenience sampling method is used for this study to collect data from the customers. It is a useful method when all the customers are not available for several reasons. So, the samples are chosen from the customers who are available.

3.7. DATA COLLECTION TOOLS

Primary data is used for this thesis. The primary data has been collected by hard copy of the questionnaires from customers of three Karafarin bank branches in Tehran city and the analysis is based on primary data.

3.7.1. QUESTIONNAIRE DESIGN

The questionnaire is design based on the (Parasuraman, Zeithaml and Berry 1988) SERVQUAL five dimensions (Tangibility, Reliability, Responsiveness, Assurance, and Empathy). The questionnaire has two main parts. The first part divides the customers into four types of normal individual customers, VIPs, small business customers and large business customers. The second part is designed based on a seven-point Likert. The respondents were asked to express their opinion about the statements by rating them from 1 to 7 where 1 means completely disagree and 7 means completely agree with the statement. The first 22 questions measure the perception of customers about the current level of services. The second 22 questions measure the expectation of customers about the desired level of customers. From question 44 to 60, the questionnaire measures the dependent variable (customer satisfaction, customer loyalty, trust and word of mouth) respectively. Question 1 to 44 are standard questions based on the SERVQUAL model. Questions 44 to 60 are extracted from the literature review. The factors are not labeled in order to collect reliable data and reduce the effect of labels on customers` answers.

3.8. VARIABLE MEASUREMENT

It is really important to identify the variables and have a clear understanding of the differences among variables, dimensions and items.

3.8.1. DIMENSIONS

The five dimensions of SERVQUAL model (Tangibility, Reliability, Responsiveness, Assurance, and Empathy) are the main dimension in this study. They measure the total perceived service quality of the customers from the bank services. each dimension is developed based on several items.

3.8.2. VARIABLES

This study has five variables. Independent variable is perceived service quality which is the difference between perception and expectation of customers. The four factors of customer satisfaction, loyalty, trust, and word of mouth are considered as dependent variables for this study. All four dependent variables are affected by independent variables.

3.8.3. ITEMS

Items are the questions used in the questionnaire. There are 60 items in total for this study. But the questionnaire starts with the item that classifies the type of customers. The items build the dimensions and variables that are considered for the study to measure the service quality gap. The labels are removed from the final questionnaire handed to the respondents. The reason was to reduce the effect of the titles of dimensions and variables on customer minds as much as possible.

- Please indicate what type of customer you are. (normal individual customer, VIPs, small business customer, large business customers).

The first 4 items measure the perception of respondents about tangibility dimension:

1	Karafarin bank has modern looking equipment.
2	Karafarin Bank's physical facilities are visually appealing.
3	Karafarin Bank's reception desk employees are neat appearing.
4	Materials associated with the service (such as pamphlets or statements) are visually appealing at Karafarin bank.

Items 5 to 9 measure the perception of respondents about reliability dimension:

5	When Karafarin bank promises to do something by a certain time, it does so.
6	When you have a problem, Karafarin bank shows a sincere interest in solving it.
7	Karafarin bank performs the service right the first time.
8	Karafarin bank provides its service at the time it promises to do so.
9	Karafarin bank insists on error free records.

Items 10 to 13 measure the perception of respondents about responsiveness dimension:

10	Employees in Karafarin bank tell you exactly when services will be performed.
11	Employees in Karafarin bank give you prompt service.
12	Employees in Karafarin bank are always willing to help you.
13	Employees in Karafarin bank are never too busy to respond to your request.

Items 14 to 17 measure the perception of respondents about assurance dimension:

14	The behavior of employees in Karafarin bank instills confidence in you.
15	You feel safe in your transactions with Karafarin bank.
16	Employees in Karafarin bank area consistently courteous with you.
17	Employees in Karafarin bank have the knowledge to answer your questions.

Items 18 to 22 measure the perception of respondents about empathy dimension:

18	Karafarin bank gives you individual attention.
19	Karafarin bank has operating hours convenient to all its customers.
20	Karafarin bank has employees who give you personal attention.
21	Karafarin bank has your best interest at heart.
22	The employees of Karafarin bank understand your specific needs.

Items 23 to 26 measure the expectation of respondents about tangibility dimension:

23	Excellent banking companies will have modern looking equipment
24	The physical facilities at excellent banks will be visually appealing.
25	Employees at excellent banks will be neat appearing.
26	Materials associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank.

Items 27 to 31 measure the expectation of respondents about reliability dimension:

27	When excellent banks promise to do something by a certain time, they do.
28	When a customer has a problem, excellent banks will show a sincere interest in solving it.
29	Excellent banks will perform the service right the first time.
30	Excellent banks will provide the service at the time they promise to do so.

31	Excellent banks will insist on error free records.

Items 2 to 35 measure the expectation of respondents about responsiveness dimension:

32	Employees of excellent banks will tell customers exactly when services will be performed.
33	Employees of excellent banks will give prompt service to customers.
34	Employees of excellent banks will always be willing to help customers.
35	Employees of excellent banks will never be too busy to respond to customers' requests.

Items 36 to 39 measure the expectation of respondents about assurance dimension:

36	The behavior of employees in excellent banks will instill confidence in customers.
37	Customers of excellent banks will feel safe in transactions.
38	Employees of excellent banks will be consistently courteous with customers.
39	Employees of excellent banks will have the knowledge to answer customers' questions.

Items 40 to 44 measure the expectation of respondents about empathy dimension:

40	Excellent banks will give customers individual attention.
41	Excellent banks will have operating hours convenient to all their customers.
42	Excellent banks will have employees who give customers personal attention.
43	Excellent banks will have their customer's best interests at heart.
44	The employees of excellent banks will understand the specific needs of their customers.

Item 45 to 60 measures the chosen dependent variables of the study. Items 45 to 49 measures the customer satisfaction:

45	This bank offers the services exactly I need
46	My choice to use this bank was a wise one
47	I am satisfied with the decision of using this bank

48	Based on all experience with this bank, I am very satisfied with the bank services
49	My overall satisfaction with the bank is very good

Items 50 to 54 measures trust:

50	This bank is trustworthy completely.
51	Working with this bank makes me confident.
52	The bank is faithful and honest.
53	I trust the information provided by the bank.
54	This bank has an excellent level of privacy.

Items 55 to 57 measures loyalty of the customers:

55	I will always use this bank for my every bank activities/transaction.
56	If I receive these services, I doubt that I would switch banks.
57	When I see a service from another banks somewhat different from what this bank offers, I will not try it.

Items 58 to 60 measures word of mouth of the customers.

58	I recommend this bank to my friends and acquaintance.
59	I encourage friends and acquaintance to do business with this bank.
60	I say positive things about this bank to others.

3.9. QUESTIONNAIRE ADMINISTRATION

As it was mentioned above, the convenience method has been chosen for this study. 120 questionnaires were collected during March 2020. Although 200 questionnaires were distributed among the customers, the researcher only received 120 completed questionnaires that made a 60%

response rate for this study. The completed questionnaires were taken for the respondents on the same day by the bank workers. All the completed questionnaires were collected from the selected branches at the end of March.

3.10. DATA ANALYSIS

The gathered data were organized in MS-Excel in four sheets based on the type of customers. Then, statistical package for social sciences (SPSS) was used for analyses. Different statistical techniques were used to analyze the organized data like Wilcoxon, Kruskal – Wallis, Kolmogorov-Smirnov, and regression test. Also, alpha Cronbach coefficient was used to measure the reliability of collected data.

4. CHAPTER FOUR: DATA ANALYSIS, DISCUSSIONS AND PRESENTATIONS

4.1. INTRODUCTION

The chapter presents the result of the fieldwork conducted by the researcher. The result is the responses of the questionnaire administered to the customers of Karafarin Bank. Statistical Package for Social Sciences (SPSS) version 22 was used to perform the analysis. The questionnaire was administered to 200 customers of Karafarin Bank. Out of the 200-questionnaire administered, 124 were obtained but 120 were valid for analysis while four were invalid as a result of improper and double responses. The valid questionnaires which formed the analysis yielded 60% response rate.

4.2. RELIABILITY TEST

Cronbach's alpha is commonly used to test the research reliability. The value ranges from 0 to 1; the closer to 1 the higher internal consistency, while values above 0.7 are considered as acceptable for reliability measures. The table presents Cronbach's alpha for questionnaire items and shows high values of alpha for measures. Cronbach's alpha for all 60 items is 0.958, which confirms that the data collected in this study is reliable and that the model has a high internal consistency in measuring service quality, customer satisfaction, loyalty, trust and word of mouth.

Reliability Statistics

Cronbach's Alpha	N of Items
.958	60

4.3. NORMALITY TEST

Kolmogorov-Smirnov Z test is used to determine whether sample data has been drawn from a normally distributed population or the population from which the data came is normally distributed.

If the Kolmogorov-Smirnov Z test yields a significance level of more (>) than 0.05, it means that the distribution is normal. According to the results in the table, the significance level in all variables except perceived service quality, are less (<) than 0.05. It means that the distribution of data is not normal and therefore for hypothesis testing, nonparametric tests (Wilcoxon signed rank test, Kruskal-Wallis test and Spearman Correlation) were used.

One-Sample Kolmogorov-Smirnov Test

		Perceived service quality	Expected service quality	Customer satisfaction	Trust	Loyalty	Word of mouth
N		120	120	120	120	120	120
Normal Parameters[a,b]	Mean	5.9255	6.5979	5.9333	6.0100	5.4861	5.7056
	Std. Deviation	.69975	.40747	.78530	.71800	.95060	.87520
Most Extreme Differences	Absolute	.062	.182	.175	.128	.156	.223
	Positive	.062	.162	.087	.084	.094	.160
	Negative	-.061	-.182	-.175	-.128	-.156	-.223
Test Statistic		.062	.182	.175	.128	.156	.223
Asymp. Sig. (2-tailed)		.200[c,d]	.000[c]	.000[c]	.000[c]	.000[c]	.000[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

4.4. CUSTOMER CATEGORY AND TYPE OF ACCOUNTS

There was a total of 120 respondents representing 33.3% were normal individual customers, 25% were VIPs, 20.8% were small business customers and 20.8% were large business customers. This is illustrated in the table below.

Type of Accounts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Normal individual customers	40	33.3	33.3	33.3
	VIPs	30	25.0	25.0	58.3
	Small business customers	25	20.8	20.8	79.2
	Large business customers	25	20.8	20.8	100.0
	Total	120	100.0	100.0	
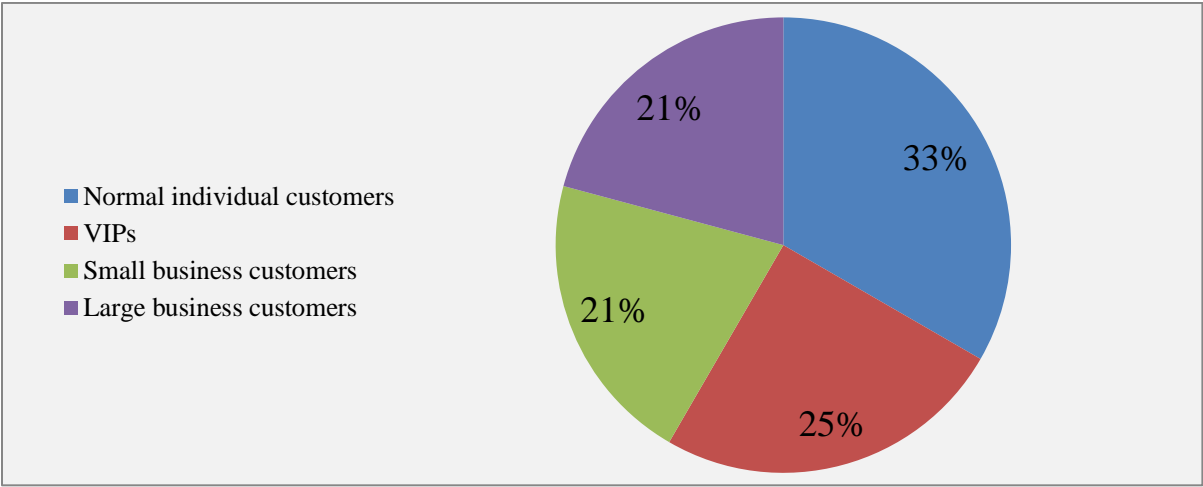
TABLE 5-PIE CHART OF CUSTOMER TYPES

4.5. GAP ANALYSIS RESULTS

The table shows that there were mean differences between customers' expectations and perceptions in all the dimensions.

The results indicate that all of the gap values on Tangibility (-0.76), Reliability (-0.94), Responsiveness (-0.54), Assurance (-0.47), and Empathy (-0.66) were negative.

The largest and smallest perceptions mean is in the Assurance and Tangibility dimensions, respectively.

The largest and smallest mean quality gaps are in the Reliability and Assurance dimensions, respectively.

Dimension	Average Perceived	Average Expected	Gap (P - E)
Tangibility	5.6875	6.4438	-0.76
Reliability	5.7514	6.6867	-0.94
Responsiveness	6.1222	6.6604	-0.54
Assurance	6.2563	6.7271	-0.47
Empathy	5.8100	6.4717	-0.66

4.5.1. GAP ANALYSIS RESULTS DEPENDING ON THE TYPES OF THE CUSTOMERS

The table shows that there were mean differences between customers' expectations and perceptions in tangibility dimension depending on the type of the customer.

- **Tangibility**:

The results indicate that all of the gap values on Normal individual customers (-0.91), VIPs (-0.65), Small business customers (-0.60) and Large business customers (-0.80) were negative.

The largest and smallest mean quality gaps are in the Normal individual customers and Small business customers, respectively.

Type	Perceived Tangibility	Expected Tangibility	Gap (P-E)
Normal individual customers	5.5313	6.4375	-0.91
VIPs	5.6750	6.3250	-0.65
Small business customers	5.8600	6.4600	-0.60
Large business customers	5.7800	6.5800	-0.80

- **Reliability:**

The table shows that there were mean differences between customers' expectations and perceptions in reliability dimension depending on the type of the customer.

The results indicate that all of the gap values on Normal individual customers (-1.03), VIPs (-0.59), Small business customers (-1.10) and Large business customers (-1.04) were negative.

The largest and smallest mean quality gaps are in the Small business customers and VIPs respectively.

Type	Perceived Reliability	Expected Reliability	Gap (P-E)
Normal individual customers	5.7375	6.7650	-1.03
VIPs	5.9222	6.5133	-0.59
Small business customers	5.5667	6.6640	-1.10
Large business customers	5.7533	6.7920	-1.04

- **Responsiveness:**

The table shows that there were mean differences between customers' expectations and perceptions in responsiveness dimension depending on the type of the customer.

The results indicate that all of the gap values on Normal individual customers (-0.59), VIPs (-0.04), Small business customers (-0.63) and Large business customers (-0.95) were negative.

The largest and smallest mean quality gaps are in the Large business customers and VIPs respectively.

Type	Perceived Responsiveness	Expected Responsiveness	Gap (P-E)
Normal individual customers	6.0500	6.6438	-0.59
VIPs	6.5556	6.6000	-0.04
Small business customers	6.0267	6.6600	-0.63
Large business customers	5.8133	6.7600	-0.95

- **Assurance:**

The table shows that there were mean differences between customers' expectations and perceptions in assurance dimension depending on the type of the customer.

The results indicate that the gap values on Normal individual customers (-0.58), Small business customers (-0.65) and Large business customers (-0.72) were negative and on VIPs (0.03) was positive.

The largest and smallest mean quality gaps are in the Large business customers and VIPs respectively.

Type	Perceived Assurance	Expected Assurance	Gap (P-E)
Normal individual customers	6.1938	6.7750	-0.58
VIPs	6.6500	6.6167	0.03
Small business customers	6.0700	6.7200	-0.65
Large business customers	6.0700	6.7900	-0.72

- **Empathy:**

The table shows that there were mean differences between customers' expectations and perceptions in empathy dimension depending on the type of the customer.

The results indicate that all of the gap values on Normal individual customers (-0.65), VIPs (-0.26), Small business customers (-0.95) and Large business customers (-0.88) were negative.

The largest and smallest mean quality gaps are in the Small business customers and VIPs respectively.

Type	Perceived Empathy	Expected Empathy	Gap (P-E)
Normal individual customers	5.7400	6.3850	-0.65
VIPs	6.2133	6.4733	-0.26
Small business customers	5.6080	6.5600	-0.95
Large business customers	5.6400	6.5200	-0.88

- **Perceived service quality:**

The table shows that there were mean differences between customers' expectations and perceptions in service quality depending on the type of the customer.

The results indicate that all of the gap values on Normal individual customers (-0.75), VIPs (-0.30), Small business customers (-0.79) and Large business customers (-0.88) were negative.

The largest and smallest mean quality gaps are in the Large business customers and VIPs, respectively.

Type	Perceived service quality	Expected service quality	Gap (P-E)
Normal individual customers	5.8505	6.6013	-0.75
VIPs	6.2032	6.5057	-0.30
Small business customers	5.8263	6.6128	-0.79
Large business customers	5.8113	6.6884	-0.88

4.6. HYPOTHESES TESTING

4.6.1. WILCOXON SIGNED-RANK TEST RESULTS

Due to the non-normal data, a non-parametric Wilcoxon test was used to test the existence of a significant difference between the mean expectations and perceptions.

Wilcoxon Signed-Rank test was a nonparametric test for measuring the significance of the differences between 2 groups of ordinal or ordinal data pairs but was abnormally distributed.

H1: There is a significant difference between expectation and perception of customers in tangibility.

Ranks

		N	Mean Rank	Sum of Ranks
Perceived Tangibility – Expected Tangibility	Negative Ranks	89[a]	55.27	4919.00
	Positive Ranks	14[b]	31.21	437.00
	Ties	17[c]		
	Total	120		

a. Perceived Tangibility < Expected Tangibility

b. Perceived Tangibility > Expected Tangibility

c. Perceived Tangibility = Expected Tangibility

Test Statistics[a]

	Perceived Tangibility - Expected Tangibility
Z	-7.389[b]
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The test indicates the Negative Ranks of 89, Positive Rank of 14, and Ties of 17. It means 89 respondents have experienced a decrease in Expected Service, 14 respondents were experienced an increase in Expected Service, and 17 respondents did not change.

The Wilcoxon Signed-Rank Test results indicate a Z value of -7.389 with a probability value (Asymp Sig 2 tailed) of $0,000 < 0,050$ so that H1 was accepted. It means there was a gap between expected service and perceived service in tangibility.

H2: There is a significant difference between expectation and perception of customers in reliability.

Ranks

		N	Mean Rank	Sum of Ranks
Perceived Reliability – Expected Reliability	Negative Ranks	89[a]	56.81	5056.50
	Positive Ranks	13[b]	15.12	196.50
	Ties	18[c]		
	Total	120		

a. Perceived Reliability < Expected Reliability

b. Perceived Reliability > Expected Reliability

c. Perceived Reliability = Expected Reliability

Test Statistics[a]

	Perceived Reliability - Expected Reliability
Z	-8.113[b]
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The test indicates the Negative Ranks of 89, Positive Rank of 13, and Ties of 18. It means 89 respondents have experienced a decrease in Expected Service, 13 respondents were experienced an increase in Expected Service, and 18 respondents did not change.

The Wilcoxon Signed-Rank Test results indicate a Z value of -8.113with a probability value (Asymp Sig 2 tailed) of 0,000 < 0,050 so that H2 was accepted. It means there was a gap between expected service and perceived service in reliability.

H3: There is a significant difference between expectation and perception of customers in responsiveness.

Ranks

		N	Mean Rank	Sum of Ranks
Perceived Responsiveness - Expected Responsiveness	Negative Ranks	71[a]	49.59	3521.00
	Positive Ranks	18[b]	26.89	484.00
	Ties	31[c]		
	Total	120		

a. Perceived Responsiveness < Expected Responsiveness

b. Perceived Responsiveness > Expected Responsiveness

c. Perceived Responsiveness = Expected Responsiveness

Test Statistics[a]

	Perceived Responsiveness - Expected Responsiveness
Z	-6.221[b]
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The test shows the Negative Ranks of 71, Positive Rank of 18, and Ties of 31. It means 71 respondents have experienced a decrease in Expected Service, 18 respondents were experienced an increase in Expected Service, and 31 respondents did not change.

The Wilcoxon Signed-Rank Test results indicate a Z value of -6.221with a probability value (Asymp Sig 2 tailed) of 0,000 < 0,050 so that H3 was accepted. It means there was a gap between expected service and perceived service in responsiveness.

H4: There is a significant difference between expectation and perception of customers in assurance.

Ranks

		N	Mean Rank	Sum of Ranks
Perceived Assurance - Expected Assurance	Negative Ranks	66[a]	50.97	3364.00
	Positive Ranks	22[b]	25.09	552.00
	Ties	32[c]		
	Total	120		

a. Perceived Assurance < Expected Assurance

b. Perceived Assurance > Expected Assurance

c. Perceived Assurance = Expected Assurance

Test Statistics[a]

	Perceived Assurance - Expected Assurance
Z	-5.872[b]
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The test indicates the Negative Ranks of 66, Positive Rank of 22, and Ties of 32. It means 66 respondents have experienced a decrease in Expected Service, 22 respondents were experienced an increase in Expected Service, and 32 respondents did not change.

The Wilcoxon Signed-Rank Test results indicate a Z value of -5.872with a probability value (Asymp Sig 2 tailed) of 0,000 < 0,050 so that H4 was accepted. It means there was a gap between expected service and perceived service assurance.

H5: There is a significant difference between expectation and perception of customers in empathy.

Ranks

		N	Mean Rank	Sum of Ranks
Perceived Empathy - Expected Empathy	Negative Ranks	83[a]	58.31	4839.50
	Positive Ranks	21[b]	29.55	620.50
	Ties	16[c]		
	Total	120		

a. Perceived Empathy < Expected Empathy

b. Perceived Empathy > Expected Empathy

c. Perceived Empathy = Expected Empathy

Test Statistics^a

	Perceived Empathy - Expected Empathy
Z	-6.854^b
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

The test indicates the Negative Ranks of 83, Positive Rank of 21, and Ties of 16. It means 83 respondents have experienced a decrease in Expected Service, 21 respondents were experienced an increase in Expected Service, and 16 respondents did not change.

The Wilcoxon Signed-Rank Test results indicate a Z value of -6.854with a probability value (Asymp Sig 2 tailed) of 0,000 < 0,050 so that H5 was accepted. It means there was a gap between expected service and perceived service empathy.

The quality gap of the services was calculated, and Wilcoxon test showed that the difference between the expectation and perception of the customers was statistically significant in all of dimensions. And hence, there is a gap between the customers' perception and their expectation of the service quality.

4.6.2. THE RELATIONSHIP ANALYSIS OF PERCEIVED SERVICE QUALITY, CUSTOMER SATISFACTION, TRUST, WORD OF MOUTH AND LOYALTY

The next step taken is checking the existence of linear relationships among variables. This step also intends to examine the strength of the relationships. For this purpose, this study uses Spearman correlation.

H6: There is a positive relationship between perceived service quality and customer satisfaction in the Iranian banking system.

Correlations

			perceived service quality	customer satisfaction
Spearman's rho	perceived service quality	Correlation Coefficient	1.000	.609[**]
		Sig. (2-tailed)	.	.000
		N	120	120
	customer satisfaction	Correlation Coefficient	.609[**]	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

As for the significance value, the correlation involving perceived service quality to customer satisfaction is less than 0.05. It means that the service quality provided by Karafarin Bank correlates with customer satisfaction.

The result in Table proves that there is a positive correlation between perceived service quality and customer satisfaction with correlation coefficient of 0.609. It can be concluded that there is a relatively strong correlation between these two variables.

H7: There is a positive relationship between perceived service quality and trust in the Iranian banking system.

Correlations

			perceived service quality	trust
Spearman's rho	perceived service quality	Correlation Coefficient	1.000	.569[**]
		Sig. (2-tailed)	.	.000
		N	120	120
	trust	Correlation Coefficient	.569[**]	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

As for the significance value, the correlation involving perceived service quality to trust is less than 0.05. It means that the service quality provided by Karafarin Bank correlates with trust.

The result in Table proves that there is a positive correlation between perceived service quality and trust with correlation coefficient of 0.569. It can be concluded that there is a relatively strong correlation between these two variables.

H8: There is a positive relationship between perceived service quality and word of mouth in the Iranian banking system.

Correlations

			perceived service quality	word of mouth
Spearman's rho	perceived service quality	Correlation Coefficient	1.000	.521**
		Sig. (2-tailed)	.	.000
		N	120	120
	word of mouth	Correlation Coefficient	.521**	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

As for the significance value, the correlation involving perceived service quality to word of mouth is less than 0.05. It means that the service quality provided by Karafarin Bank correlates with word of mouth.

The result in Table proves that there is a positive correlation between perceived service quality and word of mouth with correlation coefficient of 0.521. It can be concluded that there is a relatively strong correlation between these two variables.

H9: There is a positive relationship between perceived service quality and loyalty in the Iranian banking system.

Correlations

			perceived service quality	loyalty
Spearman's rho	perceived service quality	Correlation Coefficient	1.000	.598**
		Sig. (2-tailed)	.	.000
		N	120	120
	loyalty	Correlation Coefficient	.598**	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

As for the significance value, the correlation involving perceived service quality to loyalty is less than 0.05. It means that the service quality provided by Karafarin Bank correlates with loyalty.

The result in Table proves that there is a positive correlation between perceived service quality and loyalty with correlation coefficient of 0.598. It can be concluded that there is a relatively strong correlation between these two variables.

4.6.3. KRUSKAL – WALLIS TEST – GAP SCORES FOR RESPONDENTS IN DIFFERENT GROUPS AND REGRESSION TEST_ THE IMPORTANCE OF SERVICE QUALITY DIMENSIONS FROM THE STANDPOINT OF CUSTOMERS IN DIFFERENT GROUPS

The differences in perceived service quality, tangibility, reliability, responsiveness, assurance, empathy, customer satisfaction, trust, loyalty, and word of mouth among the different groups including those of normal individual customers, VIPs, small business customers and large business customers were tested using the Kruskal - Wallis test. Also, using regression test showed how different types of customers will value service quality dimensions. The results show which

dimension is more valuable for normal individual customers, VIPs, small and large business customers.

H10: There is a significant difference in perceived service quality among normal individual customers, VIPs, small business customers, and large business customers.

Test Statistics[a,b]

	Perceived service quality
Chi-Square	6.940
df	3
Asymp. Sig.	.074

a. Kruskal Wallis Test

b. Grouping Variable: Type

The result shows that there was no statistically significant difference (p>.05) in the mean scores of the perceived service quality across the customer groups of respondents and H10 was rejected.

	Regression of perceived service quality dimensions on customer satisfaction, Trust, Loyalty, and WOM							
	Customer satisfaction	Sig.	Trust	Sig.	Loyalty	Sig.	WOM	Sig.
Tangibility	-0.26	0.799	-0.002	0.984	-0.136	0.197	-0.031	0.789
Reliability	0.222	0.075	0.314	0.02	0.27	0.037	0.097	0.502
Responsiveness	0.158	0.188	0.041	0.751	-0.021	0.868	0.015	0.913
Assurance	0.151	0.216	0.201	0.125	0.259	0.041	0.148	0.298
Empathy	0.268	0.025	0.155	0.224	0.315	0.012	0.342	0.015
Adjusted R Square	0.452		0.367		0.409		0.252	
F	20.599		14.820		17.459		9.011	

The result shows the statistically significant effect (p<0.05) of empathy on customer satisfaction with (sig 0.025). Also, reliability on trust with (sig 0.02), and empathy on WOM with (sig 0.015).

Loyalty was affected with three dimensions of empathy with (sig 0.012), assurance with (sig 0.041), and reliability with (sig 0.037). Also, the effect of reliability on customer satisfaction is statistically significant on ($p < 0.1$).

	Regression of perceived service quality dimensions on customer satisfaction							
	Normal	Sig.	VIPs	Sig.	Small	Sig.	Large	Sig.
Tangibility	-0.243	0.238	-0.202	0.498	0.026	0.927	0.233	0.212
Reliability	0.922	0.002	0.371	0.246	-0.076	0.765	-0.269	0.354
Responsiveness	-0.247	0.332	-0.117	0.684	0.158	0.669	0.47	0.056
Assurance	0.076	0.753	0.098	0.654	0.359	0.371	-0.005	0.986
Empathy	0.098	0.635	0.161	0.607	0.403	0.071	0.549	0.166
Adjusted R Square	0.403		-0.017		0.548		0.757	
F	6.273		0.902		6.809		15.924	

The table shows the effect of service quality dimensions on customer satisfaction for different types of customers. The results show that reliability is significant for normal individual customers with (sig 0.002) on ($p < 0.05$). Also, for ($p < 0.1$) empathy is significant with (sig 0.071) for small business customers and responsiveness with (sig 0.056).

	Regression of perceived service quality dimensions on Trust							
	Normal	Sig.	VIPs	Sig.	Small	Sig.	Large	Sig.
Tangibility	-0.167	0.437	-0.079	0.795	0.337	0.321	0.314	0.084
Reliability	0.995	0.001	0.457	0.163	-0.106	0.724	-0.173	0.53
Responsiveness	-0.344	0.201	-0.182	0.534	-0.102	0.815	0.372	0.108
Assurance	0.032	0.899	0.165	0.459	0.401	0.398	0.097	0.727
Empathy	0.005	0.982	-0.178	0.577	0.235	0.359	0.403	0.282
Adjusted R Square	0.341		-0.054		0.363		0.778	
F	5.039		0.704		3.741		17.784	

The table shows the effect of service quality dimensions on trust for different types of customers. The results show that reliability is significant for normal individual customers with (sig 0.001) on ($p < 0.05$). Also, for ($p < 0.1$) tangibility is significant with (sig 0.084) for large business customers.

	Regression of perceived service quality dimensions on Loyalty							
	Normal	Sig.	VIPs	Sig.	Small	Sig.	Large	Sig.
Tangibility	-0.352	0.09	-0.246	0.34	0.106	0.746	0.047	0.842
Reliability	0.799	0.005	0.061	0.821	0.099	0.733	-0.442	0.236
Responsiveness	-0.269	0.291	-0.313	0.212	0.067	0.875	-0.012	0.968
Assurance	0.37	0.13	0.01	0.958	0.328	0.476	-0.825	0.035
Empathy	0.056	0.784	0.708	0.014	0.219	0.379	1.85	0.001
Adjusted R Square	0.408		0.245		0.398		0.603	
F	6.382		2.886		4.173		8.276	

The table shows the effect of service quality dimensions on loyalty for different types of customers. The results show that on ($p<0.05$) reliability is significant for normal individual customers with (sig 0.005) and empathy for VIPs and large business customers with (sig 0.014) and (sig 0.001) respectively and assurance with (sig 0.035). Also, on ($p<0.1$) empathy is significant with (sig 0.09) for normal individual customers.

	Regression of perceived service quality dimensions on WOM							
	Normal	Sig.	VIPs	Sig.	Small	Sig.	Large	Sig.
Tangibility	-0.265	0.229	-0.02	0.944	0.468	0.179	0.085	0.807
Reliability	0.764	0.012	-0.122	0.687	-0.175	0.568	-0.131	0.81
Responsiveness	-0.523	0.06	-0.198	0.474	0.341	0.445	0.057	0.899
Assurance	0.276	0.287	0.257	0.223	-0.004	0.994	-0.557	0.318
Empathy	0.236	0.289	0.456	0.137	0.097	0.706	1.011	0.18
Adjusted R Square	0.318		0.067		0.343		0.116	
F	4.641		1.418		3.501		1.631	

The table shows the effect of service quality dimensions on WOM for different types of customers. The results show that on ($p<0.05$) reliability is significant for normal individual customers with (sig 0.012) Also, on ($p<0.1$) responsiveness is significant with (sig 0.06) for normal individual customers.

➢ H10A: Normal individual customers will value tangibility and empathy more.

The results show that on ($p<0.05$) for normal individual customers, reliability is significant for customer satisfaction with (sig 0.02), for trust with (sig 0.001), for loyalty with (sig 0.05), and for WOM with (sig 0.012). Also, for ($p<0.1$) tangibility is significant on loyalty with (sig 0.09) and

responsiveness on WOM with (sig 0.06). thus, normal individual customers will value reliability more on ($p<0.05$) and value reliability, tangibility, and responsiveness on ($p<0.1$), and H10A was rejected.

➢ H10B: VIPs will value assurance and empathy more.

The results show that on ($p<0.05$) for VIPs, empathy has a statistically significant effect on loyalty with (sig 0.014). there is no other significant value in the results. Thus, VIPs will value empathy more only and H10B was rejected.

➢ H10C: Small and large business customers will value reliability and assurance more.

The results show that on ($p<0.05$) for large business customers, empathy is significant for loyalty with (sig 0.001), Also, assurance with (sig 0.035) shows a significant effect on loyalty. But the negative value of (-0825) shows that the effect is negative, and it does not show that large business customers will value assurance. Also, for ($p<0.1$) empathy is significant on customer satisfaction with (sig 0.071) for small business customers and tangibility on trust with (sig 0.084) for large business customers. thus, small and large business customers will value empathy more on ($p<0.05$) and value empathy, and tangibility on ($p<0.1$) and H10C was rejected.

H11: There is a significant difference in customer satisfaction among normal individual customers, VIPs, small business customers, and large business customers.

Test Statistics^{a,b}

	Customer Satisfaction
Chi-Square	7.548
df	3
Asymp. Sig.	.056

a. Kruskal Wallis Test

b. Grouping Variable: Type

The result shows that there was no statistically significant difference (p>.05) in the mean scores of the customer satisfaction across the customer groups of respondents and H11 was rejected.

H12: There is a significant difference in trust among normal individual customers, VIPs, small business customers, and large business customers.

Test Statistics[a,b]

	Trust
Chi-Square	9.836
df	3
Asymp. Sig.	.020

a. Kruskal Wallis Test

b. Grouping Variable: Type

Based on the result, there was a statistically significant difference (p<.05) in the mean scores of the trust across the four customer groups, and H12 was accepted.

H13: There is a significant difference in word of mouth among normal individual customers, VIPs, small business customers, and large business customers.

Test Statistics[a,b]

	Word of Mouth
Chi-Square	12.976
df	3
Asymp. Sig.	.005

a. Kruskal Wallis Test

b. Grouping Variable: Type

Based on the result, there was a statistically significant difference (p<.05) in the mean scores of the word of mouth across the four customer groups, and H13 was accepted.

H14: There is a significant difference in loyalty among normal individual customers, VIPs, small business customers, and large business customers.

Test Statistics[a,b]

	Loyalty
Chi-Square	6.814
df	3
Asymp. Sig.	.078

a. Kruskal Wallis Test

b. Grouping Variable: Type

The result shows that there was no statistically significant difference (p>.05) in the mean scores of the loyalty across the customer groups of respondents, and H14 was rejected.

Report

Mean

Type	Satisfaction	Trust	Loyalty	Word of Mouth
Normal	5.7400	5.8250	5.3167	5.5417
VIP	6.2400	6.3733	5.8667	6.0778
SB	6.0320	5.9840	5.3733	5.8400
LB	5.7760	5.8960	5.4133	5.3867
Total	5.9333	6.0100	5.4861	5.7056

The report shows the differences among the four groups of normal individual customers, trust, loyalty, and word of mouth in four dependent variables of satisfaction, trust, loyalty, and word of mouth. The results indicate that all the values for VIPs are bigger compared to the other groups. Also, normal individual customers group has the smallest value for satisfaction, trust, and loyalty, while large business customers group has the smallest value for word of mouth.

5. CHAPTER FIVE: SUMMARIES, CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

5.1. INTRODUCTION

The chapter includes a summary of findings, conclusions, recommendations, and limitations of the study. The finding can be generalized and can be used by other banks and credit institutions.

5.2. FINDINGS

The main purpose of this study is to answer the research questions:

1. *Is there any service quality gap between service quality delivery and the costumer`s expectations for all types of customers in Karafarin bank?*
2. *What are the critical factors in delivering service quality by Karafarin bank for normal individual customers, VIPs, small business customers, large business customers?*

The model is exceptionally reliable with 0.958 Cronbach`s alpha. It shows that the five dimensions SERVQUAL model is highly able to measure service quality. So, based on the findings, the proper answer for the research question (2) is five dimensions of SERVQUAL model (tangibility, reliability, responsiveness, assurance, empathy). The analysis of data shows a significant gap between the perceptions and expectations of the customers in all four groups. The results show the mean differences in all dimensions of Tangibility (-0.76), Reliability (-0.94), Responsiveness (-0.54), Assurance (-0.47), and Empathy (-0.66) respectively. Also, the results show -7.389 for tangibility, -8.113 for reliability, -6.211 for responsiveness, -5.872 for assurance, and -6.854 for empathy. With respect to probability value (Asymp Sig 2 tailed) of $0,000 < 0,050$ there are gaps for all the dimensions, and this answers the research question (1). To support more the answers to the research questions, regression test has been conducted. The outcomes show that normal individual customers value reliability more compared to the other dimensions and empathy is the

most important dimension for VIPs, small and large business customers. In addition, regression tests show that loyalty was affected by three dimensions of reliability, assurance, and empathy which shows that loyalty is a strong indicator of service quality. Also, the results show that the strong correlation among perceived service quality and dependent variables. Customer satisfaction with 0.609, trust with 0.569, word of mouth with 0.521, and loyalty with 0.598 show that all the dependent variables are correlated. Another finding from the results is the importance of the customer`s type. The analyses show that there are no significant differences among different customer groups in perceived service quality (p=.074). On the other hand, trust (p=.020), and word of mouth (p=.005) were significantly different in the separated groups of customers while no significant differences were observed in customer satisfaction (p=.056) and loyalty (p=.078).

5.3. CONCLUSION

The findings from the results lead us to the following conclusions. First, the study adds values to the validity of SERVQUAL model because of the high Cronbach's alpha. Second, the findings show that the four factors of customer satisfaction, trust, word of mouth, and loyalty are accurate indicators of service quality gap. Customer satisfaction and loyalty were the most correlated indicators with perceived service quality in Iranian banking system. The third conclusion from the findings is the differences among the four types of customers. The analyses show that there is no significant difference in perceived service quality for all groups of customers. Also, no significant difference was observed for two factors of customer satisfaction and loyalty. It means that normal individual customers, VIPs, small business customers, and large business customers have the same perceptions of services and customer satisfaction, and loyalty are not affected by the type of customers. Considering the regression and correlation result, customer satisfaction and loyalty are more crucial factors than trust and WOM for all types of customers. On the other hand, the results show the differences in word of mouth and trust among different types of customers. VIPs have the highest amounts in all four indicators of satisfaction, trust, loyalty, and word of mouth. Fourth, responsiveness was the most important for normal individual customers while empathy was the most important dimension for VIPs, small, and large business customers.

Last but not the least conclusion from this study is the adoption of SERVQUAL model for other Iranian banks due to the generalization of the findings.

5.4. RECOMMENDATIONS

The results show significant gaps in all five dimensions. So, the managers in Karafarin bank need to have special attention to improve their services to the customers. Also, the analyses show that normal individual customers value responsiveness more while VIPs and both business customer groups value empathy more. The effective suggestion to increase the total perceived service quality is the consideration of priorities of different customers by the managers. Also, the results show that except for factors trust and word of mouth, other factors are not affected by the customer types. Considering that customer satisfaction and loyalty are more valued factors by the customers and they are more correlated factors with perceived service quality, categorizing customers is not necessary to measure the service quality. However, using trust and word of mouth help to measure the service quality gap more precisely, and finding which factors are valued by different customer groups is necessary to improve service quality. In addition, among all the dependent variables, customer satisfaction was the most correlated with perceived service quality and loyalty was the most valued factor by the customers. So, they are the best indicators of service quality and can be used as a quick measurement of service quality gap.

5.5. LIMITATIONS AND FUTURE STUDIES

Most of the studies have some limitations due to many reasons. this paper has some limitations as well. First, the studies took place in March 2020 during the COVID-19 crisis. This might have affected respondents to answer the questionnaires carelessly or they might have considered some items that are not considered before or after the crisis. So, future studies can be started after the crisis and the results can be compared. Another limitation was the number of branches and the customers who contributed to this study. Again, because of the global crisis, 3 branches have been chosen and the number of respondents was 175. Future studies can have a bigger sample size and as a result, more reliable findings. In addition, this paper uses SERVQUAL five dimensions model offered by (Parasuraman, Zeithaml and Berry 1988). Future studies can use other service quality models with different dimensions.

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APPENDICES

APPENDIX A: ENGLISH QUESTIONNAIRE

I am Mojtaba Ahmadi, a master student in university of Agder in Norway. In order to improve the services of this bank we are asking your opinion about the bank. This survey is part of my master thesis and all your responses will be confidential. It takes around 10 minutes to answer, but the result will lead to improvements in services.

Please indicate what type of customer you are								
Normal individual customer (less than 1 billion Iranian rials)								
VIP (1 billion Iranian rials or more)								
Small business customer (5 or less than 5 employees)								
Large business customer (more than 5 employees)								
rows	Please indicate on a scale of 1 to 7 how strongly you agree or disagree with the following statements, 1 meaning strongly disagree and 7 being strongly agree. Please remember that there are no right or wrong answers.	1	2	3	4	5	6	7
1.	Karafarin bank has modern looking equipment.	1	2	3	4	5	6	7
2.	Karafarin Bank's physical facilities are visually appealing.	1	2	3	4	5	6	7
3.	Karafarin Bank's reception desk employees are neat appearing.	1	2	3	4	5	6	7
4.	Materials associated with the service (such as pamphlets or statements) are visually appealing at Karafarin bank.	1	2	3	4	5	6	7
5.	When Karafarin bank promises to do something by a certain time, it does so.	1	2	3	4	5	6	7
6.	When you have a problem, Karafarin bank shows a sincere interest in solving it.	1	2	3	4	5	6	7
7.	Karafarin bank performs the service right the first time.	1	2	3	4	5	6	7
8.	Karafarin bank provides its service at the time it promises to do so.	1	2	3	4	5	6	7
9.	Karafarin bank insists on error free records.	1	2	3	4	5	6	7
10.		1	2	3	4	5	6	7
11.	Employees in Karafarin bank give you prompt service.	1	2	3	4	5	6	7
12.	Employees in Karafarin bank are always willing to help you.	1	2	3	4	5	6	7
13.	Employees in Karafarin bank are never too busy to respond to your request.	1	2	3	4	5	6	7

14.	The behavior of employees in Karafarin bank instills confidence in you.	1 2 3 4 5 6 7
15.	You feel safe in your transactions with Karafarin bank.	1 2 3 4 5 6 7
16.	Employees in Karafarin bank area consistently courteous with you.	1 2 3 4 5 6 7
17.	Employees in Karafarin bank have the knowledge to answer your questions.	1 2 3 4 5 6 7
18.	Karafarin bank gives you individual attention.	1 2 3 4 5 6 7
19.	Karafarin bank has operating hours convenient to all its customers.	1 2 3 4 5 6 7
20.	Karafarin bank has employees who give you personal attention.	1 2 3 4 5 6 7
21.	Karafarin bank has your best interest at heart.	1 2 3 4 5 6 7
22.	The employees of Karafarin bank understand your specific needs.	1 2 3 4 5 6 7
23.	Excellent banking companies will have modern looking equipment	1 2 3 4 5 6 7
24.	The physical facilities at excellent banks will be visually appealing.	1 2 3 4 5 6 7
25.	Employees at excellent banks will be neat appearing.	1 2 3 4 5 6 7
26.	Materials associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank.	1 2 3 4 5 6 7
27.	When excellent banks promise to do something by a certain time, they do.	1 2 3 4 5 6 7
28.	When a customer has a problem, excellent banks will show a sincere interest in solving it.	1 2 3 4 5 6 7
29.	Excellent banks will perform the service right the first time.	1 2 3 4 5 6 7
30.	Excellent banks will provide the service at the time they promise to do so.	1 2 3 4 5 6 7
31.	Excellent banks will insist on error free records.	1 2 3 4 5 6 7
32.	Employees of excellent banks will tell customers exactly when services will be performed.	1 2 3 4 5 6 7
33.	Employees of excellent banks will give prompt service to customers.	1 2 3 4 5 6 7
34.	Employees of excellent banks will always be willing to help customers.	1 2 3 4 5 6 7
35.	Employees of excellent banks will never be too busy to respond to customers' requests.	1 2 3 4 5 6 7
36.	The behavior of employees in excellent banks will instill confidence in customers.	1 2 3 4 5 6 7
37.	Customers of excellent banks will feel safe in transactions.	1 2 3 4 5 6 7
38.	Employees of excellent banks will be consistently courteous with customers.	1 2 3 4 5 6 7
39.	Employees of excellent banks will have the knowledge to answer customers' questions.	1 2 3 4 5 6 7
40.	Excellent banks will give customers individual attention.	1 2 3 4 5 6 7
41.	Excellent banks will have operating hours convenient to all their customers.	1 2 3 4 5 6 7

No.	Statement	1	2	3	4	5	6	7
42.	Excellent banks will have employees who give customers personal attention.	1	2	3	4	5	6	7
43.	Excellent banks will have their customer's best interests at heart.	1	2	3	4	5	6	7
44.	The employees of excellent banks will understand the specific needs of their customers.	1	2	3	4	5	6	7
45.	This bank offers the services exactly I need.	1	2	3	4	5	6	7
46.	My choice to use this bank was a wise one.	1	2	3	4	5	6	7
47.	I am satisfied with the decision of using this bank.	1	2	3	4	5	6	7
48.	Based on all experience with this bank, I am very satisfied with the bank services.	1	2	3	4	5	6	7
49.	My overall satisfaction with the bank is very good.	1	2	3	4	5	6	7
50.	This bank is trustworthy completely.	1	2	3	4	5	6	7
51.	Working with this bank makes me confident.	1	2	3	4	5	6	7
52.	The bank is faithful and honest.	1	2	3	4	5	6	7
53.	I trust the information provided by the bank.	1	2	3	4	5	6	7
54.	This bank has an excellent level of privacy.	1	2	3	4	5	6	7
55.	I will always use this bank for my every bank activities/transaction.	1	2	3	4	5	6	7
56.	If I receive these services, I doubt that I would switch banks.	1	2	3	4	5	6	7
57.	When I see a service from another banks somewhat different from what this bank offers, I will not try it.	1	2	3	4	5	6	7
58.	I recommend this bank to my friends and acquaintance.	1	2	3	4	5	6	7
59.	I encourage friends and acquaintance to do business with this bank.	1	2	3	4	5	6	7
60.	I say positive things about this bank to others.	1	2	3	4	5	6	7

Thank you for your time!

با سلام خدمت شما مشتری گرامی.اینجانب مجتبی احمدی ، دانشجوی کارشناسی ارشد دانشگاه آگدر در نروژ هستم. به منظور بهبود خدمات این بانک ، این پرسشنامه طراحی شده تا نظر شما مشتریان گرامی جمع آوری و ثبت شود. این نظرسنجی بخشی از پایان نامه کارشناسی ارشد اینجانب میباشد و تمام پاسخ های شما محرمانه و بدون نام خواهد بود. پاسخ دادن حدود 10 دقیقه طول می کشد ، اما نتیجه منجر به بهبود خدمات خواهد شد.

بسمه تعالی
پرسشنامه سنجش کیفیت خدمات

ردیف	با توجه به اطلاعات درج شده شما کدام نوع مشتری میباشید؟(فقط یک مورد را علامت بزنید)						
1	مشتری حقیقی عادی(با سرمایه کمتر از یک میلیارد ریال)						
2	مشتری حقیقی VIP (با سرمایه یک میلیارد ریال یا بیشتر)						
3	مشتری حقوقی(با کارمندان پنج نفر یا کمتر)						
4	مشتری حقوقی (با کارمندان بیش از پنج نفر)						

ردیف	لطفا با انتخاب یک عدد بین 1 تا 7 موافقت یا مخالفت خود را بیان کنید . 1 به معنی بسیار مخالف و 7 با بسیار موافق میباشد. توجه داشته باشید که هیچ پاسخ درست یا نادرستی وجود ندارد.(فقط یک مورد را علامت بزنید)	1	2	3	4	5	6	7
1.	بانک کارآفرین تجهیزات مدرن و بروز دارد.	1	2	3	4	5	6	7
2.	امکانات فیزیکی بانک کارآفرین بسیار خوب و قابل توجه است.	1	2	3	4	5	6	7
3.	کارکنان بانک کارآفرین از لحاظ ظاهری تمیز و آراسته هستند.	1	2	3	4	5	6	7
4.	ظاهر امکانات فیزیکی بانک کارآفرین متناسب با نوع خدمات بسیار جذاب هستند.	1	2	3	4	5	6	7
5.	زمانیکه بانک کارآفرین برای انجام کاری در زمانی خاص وعده میدهد،آن را انجام میدهد.	1	2	3	4	5	6	7
6.	بانک کارآفرین علاقه خود را نسبت به حل مشکلات شما نشان میدهد.	1	2	3	4	5	6	7
7.	بانک کارآفرین خدمات درست و متناسب با شما را همان بار اول انجام میدهد.	1	2	3	4	5	6	7
8.	بانک کارآفرین خدماتش را درست در زمانی که وعده داده ارائه میدهد.	1	2	3	4	5	6	7
9.	بانک کارآفرین تمام اسناد را بدون اشتباه ثبت و بایگانی میکند.	1	2	3	4	5	6	7
10.	کارکنان بانک کارآفرین دقیقاً به شما می گویند خدمات در چه زمانی انجام می شود.	1	2	3	4	5	6	7
11.	کارکنان بانک کارآفرین خدمات سریع و به موقع ارائه میدهند.	1	2	3	4	5	6	7
12.	کارکنان بانک کارآفرین همیشه تمایل به کمک کردن دارند.	1	2	3	4	5	6	7
13.	کارکنان بانک کارآفرین هیچوقت آنقدر مشغول نیستند که نتوانند به شما پاسخ بدهند.	1	2	3	4	5	6	7
14.	رفتار کارکنان بانک کارآفرین به شما حس اعتماد بنفس میدهد.	1	2	3	4	5	6	7
15.	شما وقتی با بانک کارآفرین کار میکنید احساس امنیت در معاملات خود را دارید.	1	2	3	4	5	6	7
16.	کارکنان بانک کارآفرین همیشه با شما مودب رفتار میکنند.	1	2	3	4	5	6	7

7	6	5	4	3	2	1		
7	6	5	4	3	2	1	کارکنان بانک کارآفرین اطلاعات کافی و درست را برای پاسخ به سوالات شما را دارند.	17.
7	6	5	4	3	2	1	بانک کارآفرین به شما توجه فردی دارد.	18.
7	6	5	4	3	2	1	بانک کارآفرین ساعات کاری مناسب با انواع مشتریان را دارد.	19.
7	6	5	4	3	2	1	بانک کارآفرین کارکنانی دارد که به مشتریان توجه فردی میکنند.	20.
7	6	5	4	3	2	1	بانک کارآفرین همیشه بهترین ها را برای شما میخواهد.	21.
7	6	5	4	3	2	1	کارکنان بانک کارآفرین نیاز های شما را درک میکنند.	22.
7	6	5	4	3	2	1	یک بانک ایده آل تجهیزات مدرن و بروز دارد.	23.
7	6	5	4	3	2	1	امکانات فیزیکی یک بانک ایده آل بسیار خوب و قابل توجه است.	24.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل از لحاظ ظاهری تمیز و آراسته هستند.	25.
7	6	5	4	3	2	1	ظاهر امکانات فیزیکی یک بانک ایده آل متناسب با نوع خدمات بسیار جذاب هستند.	26.
7	6	5	4	3	2	1	زمانیکه یک بانک ایده آل برای انجام کاری در زمان خاص وعده میدهد،آن را انجام میدهد.	27.
7	6	5	4	3	2	1	یک بانک ایده آل علاقه خود را نسبت به حل مشکلات شما نشان میدهد.	28.
7	6	5	4	3	2	1	یک بانک ایده آل خدمات درست و متناسب با شما را همان بار اول انجام میدهد.	29.
7	6	5	4	3	2	1	یک بانک ایده آل خدماتش را درست در زمانی که وعده داده ارائه میدهد.	30.
7	6	5	4	3	2	1	یک بانک ایده آل تمام اسناد را بدون اشتباه ثبت و بایگانی میکند.	31.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل دقیقاً به شما می گویند خدمات در چه زمانی انجام می شود.	32.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل خدمات سریع و به موقع ارائه میدهند.	33.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل همیشه تمایل به کمک کردن دارند.	34.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل هیچوقت آنقدر مشغول نیستند که نتوانند به شما پاسخ بدهند.	35.
7	6	5	4	3	2	1	رفتار کارکنان یک بانک ایده آل به شما حس اعتماد بنفس میدهد.	36.
7	6	5	4	3	2	1	شما وقتی با یک بانک ایده آل کار میکنید احساس امنیت در معاملات خود را دارید.	37.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل همیشه با شما مودب رفتار میکنند.	38.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل اطلاعات کافی و درست را برای پاسخ به سوالات شما را دارند.	39.
7	6	5	4	3	2	1	یک بانک ایده آل به شما توجه فردی دارد.	40.
7	6	5	4	3	2	1	یک بانک ایده آل ساعات کاری مناسب با انواع مشتریان را دارد.	41.
7	6	5	4	3	2	1	یک بانک ایده آل کارکنانی دارد که به مشتریان توجه فردی میکنند.	42.
7	6	5	4	3	2	1	یک بانک ایده آل همیشه بهترین ها را برای شما میخواهد.	43.
7	6	5	4	3	2	1	کارکنان یک بانک ایده آل نیاز های شما را درک میکنند.	44.
7	6	5	4	3	2	1	بانک کارآفرین خدماتی را به من ارائه میدهد که دقیقا نیاز دارم.	45.
7	6	5	4	3	2	1	انتخاب کارآفرین برای انجام امور بانکی انتخاب عاقلانه ای بود.	46.
7	6	5	4	3	2	1	من از انتخاب خودم برای انجام امور بانکی با بانک کارآفرین راضی هستم.	47.
7	6	5	4	3	2	1	با توجه به تجربه ای که با کار کردن با بانک کارآفرین دارم از خدماتشان راضی هستم.	48.
7	6	5	4	3	2	1	به طور کلی از بانک کارآفرین رضایت کامل دارم.	49.
7	6	5	4	3	2	1	بانک کارآفرین بسیار قابل اعتماد است.	50.
7	6	5	4	3	2	1	کار کردن با بانک کارآفرین به من اعتماد بنفس میدهد.	51.
7	6	5	4	3	2	1	بانک کارآفرین نسبت به من بسیار صادقانه عمل میکند.	52.
7	6	5	4	3	2	1	من به درستی اطلاعاتی که بانک کارآفرین به من ارائه میکند اطمینان کامل دارم	53.

7	6	5	4	3	2	1		
7	6	5	4	3	2	1	بانک کارآفرین در حفظ اطلاعات شخصی من بسیار خوب عمل میکند.	54.
7	6	5	4	3	2	1	من همیشه از بانک کارآفرین برای انجام امور بانکی استفاده خواهم کرد.	55.
7	6	5	4	3	2	1	اگر همیشه این خدمات را دریافت کنم هیچوقت بانکم را عوض نخواهم کرد.	56.
7	6	5	4	3	2	1	زمانیکه خدمات مختلف دیگری از بانکهای دیگر میبینم علاقه ای به امتحان کردنشان ندارم.	57.
7	6	5	4	3	2	1	من به دوستان وآشنایان خود پیشنهاد میکنم از بانک کارآفرین برای امور بانکی استفاده کنند.	58.
7	6	5	4	3	2	1	من دوستان و آشنایان خود را ترغیب به استفاده از بانک کارآفرین میکنم.	59.
7	6	5	4	3	2	1	من حرفهای خوب و مثبتی درباره بانک کارآفرین به دیگران میگویم.	60.

با تشکر از پاسخگویی شما مشتری گرامی

- ## **Summary of the thesis**

This study focused on the assessment of critical factors influencing service quality in banking system of Iran. The story of the banking system in Iran was started on May 4th, 1925 by the establishment of the first public bank under the name of Sepah bank which is one of the biggest Iranian banks nowadays with 1766 local branches and four overseas branches in Paris, Rome, Frankfurt, and London. Finally, in 1999 by entering private banks in the market the competition in the banking system of Iran become fierce. Private banks brought special services and in a very short time they could absorb a lot of people to the private section and this showed the importance of delivering service quality for the bank's users. Nowadays, banking system of Iran with more than 60 banks and credit institutions is one of the most competitive markets. Karafarin bank has been chosen as a case study for this research. Being in a service sector needs to have special attention to the quality of services. The main objective of this study is to measure the level of service quality by identifying the factors influencing service quality. By reviewing the relevant literature, five dimensions of "tangibility, reliability, responsiveness, assurance, and empathy based on SERVQUAL model were considered as the main factors influencing service quality. Based on the model, the gap between perceptions and expectations of customers from delivered services is called perceived service quality. Also, to have accurate results, four indicators of customer satisfaction, trust, word of mouth, and loyalty have been considered. The second objective of the study is to find the correlations between perceived service quality and the four indicators to find the best indicator of service quality. Also, another objective of the study is to find whether the customer type has any effect on perceptions and expectations and as a result, perceived delivered service quality or not. The customers have been categorized into four groups of normal individual customers, VIPs, small business customers, and large business customers. The results clearly say that there are significant gaps in all five dimensions of SERVQUAL model for delivered services by Karafarin bank. Also, the high level of reliability indicates that SERVQUAL model is an exceptionally reliable tool for assessment of service quality. Besides, no significant difference has been observed among four customer types of normal individual

customers, VIPs, small business customers, and large business customers in perceived service quality, customer satisfaction, and loyalty. On the other hand, word of mouth and trust were significantly different among customers. This result shows categorizing customers is not necessary for assessment of service quality but necessary to improve the service quality by finding the factors that are important for customers more.

• **Internationalization**

Iran's banking system is heavily influenced by international forces. During the last 30 years, so many sanctions were imposed on Iran and the banking system was the part of all rounds of sanctions. On the one hand, the sanctions had many disadvantages for the banking system. International transactions became severely restricted due to heavy sanctions and this has dramatically decreased the quality level of services. The sanctions also had indirect effects like technological effects. For example, ATM machines or electronic cards have been limited in many aspects. On the other hand, the imposed sanctions prevented international banks to enter to the Iranian banking market. That can be an advantage for the bank because it does not need to compete with international banks. But it does not mean that the service quality was not affected by the sanctions. The study shows a significant service gap service quality means that the expectation of customers is significantly higher than the delivered service. Considering the current situation of Karafarin bank in the market which is the good position, this can be concluded that the sanctions stopped the banks improving their level of services and the customers still have to work with Iranian banks despite the fact that the delivered services are much lower than their expectations because there are no any alternatives.

• **Innovation**

Innovation is a key factor in service market as service providers need to consider customer`s needs. The conclusion from the results suggests that service levels should be increased in all five dimensions and innovations can play b key role in service improvements. Using SERVQUAL model categorizes service quality in five dimensions and helps to find an effective solution. For

example, to improve services in dimension tangibility the results show that the customers do not think the branches of Karafarin bank look modern. So, the managers need to use more technology to improve their services and customers' expectations. Also, the study examines four indicators of perceived service quality and the results show that customer satisfaction is the most correlated factor with perceived service quality. So, measuring service quality is possible only by assessment of customer satisfaction.

- **Responsibility**

Ethical issues were always important for both businesses and people. Banking system as a part of society has many responsibilities related to this topic. First, a bank is responsible for the customer`s confidential information and Karafarin bank is not an exception. second, more than 50% of Karafarin branches are in Tehran and all of them are in the cities. This is the same story for other Iranian banks. It is suggested that the banks provide services for the people who live in rural areas. Also, it is was mentioned above, critical sanctions prevented international banks from entering Iranian markets and as a result, there are few alternatives for people. The big gap in all five dimensions of service quality could stem from this. It is an ethical issue and a responsibility for Karafarin bank and other banks to fulfill customer expectations. The sanctions even affected the staff. Due to the sanctions, joblessness has increased dramatically over the past few years and demand for some decent jobs like bank workers has increased as well. That was an opportunity for banks to reduce the salaries and hire the temporary staff, while this is not ethical. It is suggested that the banks care about their staff about the salaries and the contracts.