CULTURAL ORIENTATION, SERVICE PERFORMANCE AND CUSTOMER SATISFACTION AS ANTECEDENTS OF CORPORATE REPUTATION IN THE TANZANIAN BANKING INDUSTRY

by

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Declaration

I declare that the Doctoral thesis, which I hereby submit for the degree PhD Marketing Management at the University of Pretoria, is my own work and has not been submitted by me for a degree at another university.

George Sinesius Fasha

June 2015

Ethics statement

The author declares that he has observed the ethical standards required in terms of the University of Pretoria's *Code of ethics* and the *Policy guidelines for responsible research.*

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Abstract

The competitiveness of commercial banks is of vital importance for a developing country that is striving to enhance the standard of living of its citizens by ensuring an expansion of banking services. Several international banks have invested in Tanzania, and they have changed the competitive landscape for the local banks to implement change towards improved service delivery. Tanzania is therefore an appropriate research ground for examining the competitiveness of the banking industry by conducting a comparative analysis between foreign and local banks that are operating successfully in the country.

The purpose of this study was to develop a model of service performance that is relevant for the Tanzanian banking industry, and a model is proposed that conceptualise service performance as two second-order constructs consisting of service innovation and service quality. The relationships between personal cultural orientation, service performance and customer satisfaction, and their effect on the corporate reputation were investigated with a view to examine the moderating role of the type of bank used by customers, on these relationships.

This study used multiple group structural equation modelling to compare foreign and local banks in terms of personal cultural orientation, service performance and customer satisfaction as antecedents of customer based corporate reputation. Validity and reliability assessment as well as measurement invariance testing were performed on the measurement models used in the study. The sample comprised 380 customers, whom 196 use local banks and 184 use foreign banks. The moderating role of type of bank (local versus foreign) was investigated for the relationships between cultural orientation, service performance, customer satisfaction and corporate reputation. Two multiple group structural equation models were used to test for differences between local and foreign banks on the hypothesised relationships, in order to avoid complexity in the testing of moderation.

For the first structural equation model, scales from previous studies were used to develop a service performance instrument that suited the realities of the banking industry in Tanzania, where the largely homogeneous population is geographically dispersed, and agriculture and subsistence farming are a considerable part of the economy. The service performance model included service quality and service innovation as second-order constructs. The means for both service quality and service innovation were significantly higher for foreign banks than for local banks. The first-order dimensions of service innovation were facilities for cash distribution, physical access, service access and innovativeness, whilst the first-order dimensions of service quality were tangibles, empathy and security.

Measures for customer satisfaction and corporate reputation were adapted from the literature. At mean level, there were not significant differences between local and foreign banks' customers in term of customer satisfaction or corporate reputation of their banks.

Service quality was a very significant predictor of both customer satisfaction and corporate reputation for both local and foreign bank customers. The relationship between service innovation and corporate reputation was moderately significant and negative for both local and foreign banks. Customer satisfaction had a moderately significant positive relationship with corporate reputation. The relationships between service innovation, service quality, customer satisfaction and corporate reputation were not significantly different for both local and foreign banks.

The second structural equation model investigated the relationships between cultural orientation, service innovation and service quality. Cultural orientation was measured with Sharma's (2010) scale, and the dimensions consumer innovativeness, traditional values and prudence values were used in the model. Foreign bank customers had significantly higher mean values than local bank

customers for consumer innovativeness and traditional values, but there was no significant difference between the two types of banks for prudence values.

There were significant relationships between consumer innovativeness and the perceived service innovation of their banks for both local and foreign bank customers, with the relationship being significantly stronger for foreign bank customers. Traditional values and prudence had no significant relationship with perceptions of the service innovativeness of either group of banks.

The three components of cultural orientation had the following relationships with service quality. Consumer innovativeness was not significantly related with service quality for local bank customers, and was weak, significant and negative for foreign bank customers. There was no significant relationship between traditional values and service quality for foreign banks' customers, whereas for local banks' customers the relationship was weak, significant and positive. Prudence was significantly and positively related to service quality for both local and foreign bank customers, and the relationship was significantly stronger in the case of foreign banks.

This study suggests that both local and foreign banks are competitive banks within Tanzania and the differences in service performance between these two groups of banks can be attributed mainly to differences in the cultural orientation of the two groups of customers. It is therefore suggested that banks in Tanzania pay more attention to the personal cultural orientations of their customers in order to differentiate themselves and be more effective in serving their customers.

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CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 A BRIEF HISTORY OF THE TANZANIAN BANKING INDUSTRY

The last decade has witnessed a significant development in the volume of global financial transactions, an enormous increase in the complexity of global financial markets and a more interconnected global economy. These developments have tested the flexibility of financial markets and caused global financial systems to be vulnerable. The crisis has focused attention on the importance of global financial stability and heightened alertness to the destructive implications of financial instability on global economic development. Nevertheless, despite threatening the worst recession since the great depression of the 1930's, the financial crisis is moving out of the downturn, albeit at different rates in different countries (Bank of Tanzania, 2010).

The lessening of the global financial crisis is evident in signs of a rebound in the second quarter of 2014 (International Monetary Fund, 2014). Economies of the high income countries are expected to grow by 3.2 percent in 2014 and by 3.4 percent in 2015, compared to 2.4 percent in 2013. Global economic growth is expected to be influenced by an economic growth rate of between 5.3 and 5.5 percent in 2014 and 2015 in developing countries (World Bank, 2014).

With the influence that financial sector development has on a country's overall economic growth, several sub-Saharan countries in Africa were forced to liberalise their financial systems by allowing foreign banks to operate in domestic banking markets, thereby going against financially oppressive policies which have lasted for decades. Currently, developments in the financial sectors

are very different across sub-Saharan African countries, resulting in some countries performing better than others. However, countries that seemed to lag in terms of financial sector development have managed to improve aspects of their financial depth such as financial stability and financial efficiency. Despite the fact that the banking industries and stock markets of sub-Saharan African countries are mostly not developed, they are still considered to be the most dominant in their financial sectors (Birte, 2010).

The banking industries in Sub-Saharan Africa have been showing improvements in the decades towards the year 2020. The GDP growth in the region averaged 6.8% annually between 2005 and 2008, and it still managed to stay positive in 2009 despite the global recession (Economic Intelligence Unit, 2011). After the global recession, the subsequent economic recovery of the region has also been rapid, as seen in the regional GDP of 4.7 percent in 2013 and 5.5 percent in 2014 (World Economic and financial surveys, 2014).

Against a long history of underdevelopment in the region, there are currently favourable conditions for banks in Sub-Saharan Africa to double their assets and deposits and to increase the number of banking outlets, thereby extending banking services to accommodate the continent's unbanked majority. However, the expansion of the banking industry has not been uniform across countries in the region. For instance, banking industries in the least developed countries such as Angola, Uganda, Ghana and Tanzania have been performing better because of new resource booms in mining and energy production. In these countries there have been projections that bank deposits could grow at increasing rates, a situation that shows financial deepening (Birte, 2010; Economic Intelligence Unit, 2011).

In Tanzania, for example, after independence the banking sector was dominated by branches of overseas banks. The formation of cartels among the pioneering banks, coupled with laws which made it difficult for Tanzanian nationals to register their own banking institutions, reflected the monopolistic nature of the banking system. While these restrictions were sometimes justified as a means of protecting depositors, they had the pervasive effect of hampering competition in the financial sector (Bank of Tanzania, 1996; Daudi & Sonny, 2002).

In 1967, following the Arusha Declaration, which was Tanzania's version of the socialist movement (Bekefi, 2006; Ministry of Finance and Economic affairs, 2010), all foreign banks were nationalised in line with an economic reform strategy. Banks which were nationalised included the National and Grindlays Bank, Standard Chartered Bank, Barclays Bank D.C.O, the Algeria Bank, the Netherland N.V., the Bank of India, the Bank of Baroda, the Commercial Bank of Africa, the National Bank of Pakistan and the Tanzania Bank of Commerce. The nationalisation of the banking system was considered a logical step in the government's effort to control the use of financial resources. The main intention of nationalisation was to achieve the cooperation of these institutions in the implementation of the policies propounded in the Arusha Declaration (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The capacity of the new banking monopoly to act as a national economic reform strategy relied largely on its legal standing and the type of control exerted over it by the monetary authorities, which were the Central Bank and the Treasury. Unexpectedly, the banking sector performed poorly, partly because of undue government interference and partly because of the ineffective banking legislation in operation at that time (Bank of Tanzania, 1996).

With the failure of the nationalisation of the banking sector, the government encouraged foreign investors to venture into the sector. The emergence of foreign direct investment in the country, and specifically in the banking sector, placed enormous pressure on Tanzania's local commercial banks, which were threatened by foreign rivals in an environment of competition (Daudi & Sonny, 2002; Simpasa, 2011).

The entrance of foreign banks to the Tanzanian banking industry forced local Tanzanian banks to change their business approach from being public sector oriented to being more market oriented. Customers were becoming more demanding in terms of service quality and satisfaction. Tanzanian banks had to stop treating customers as if they were doing them a favour and had to institute customer orientation as the driving business strategy instead. Despite the stronger focus on the customer, the strategy was viewed as reactive innovation, resulting in customers switching readily between banks (Daudi & Sonny, 2002).

With customers becoming more demanding, it became clear that in order for the commercial banks to prosper in a competitive business environment, both product and service quality had to be aligned with customer expectations, as both customer satisfaction and customer loyalty played a vital role in long term survival (Reichheld, 2003). At the same time, a positive corporate reputation was essential since it provided assurance of a bank's products and service quality, and gave the banks the advantage of charging premium prices (Roberts & Dowling, 2002). Commercial banks also had to consider the cultural orientation of customers, since culture could influence customer perceptions and expectations of service quality (Malhotra, Ulgado, Agarwal, Shainesh & Wu, 2005). However, although banking service quality has been subjected to extensive scholarly attention in developed countries, there is a paucity of such studies in developing countries (Sureschandar, Rajendran & Anantharaman, 2003).

As a developing country, Tanzania is an important context for conducting a comparative analysis between foreign and local banks currently operating in its banking industry. This study becomes even more relevant in the Tanzanian context, since an expansion of the banking services to formerly un-served areas enhances the standard of living of citizens.

Service performance is therefore a construct that has to be examined across the two groups of banks. In this study, service performance is considered as an expanded model of service delivery, which includes service quality, service innovation and facilities for cash distribution, all of which act as a gauge against which customers' perceptions on service delivery may be compared across the two groups of banks. The intensive competition in the Tanzanian banking industry has heightened customers' awareness of differences in service delivery and prompted them to switch banks in search of better services. The scattered distribution of the population and the uneven distribution of banking outlets add to the competition that banks feel to improve their service delivery

Both globally and in Tanzania, bank customers have certain expectations before using a particular service. After using the service, customers tend to compare their expectations with the actual service delivered (Parasuraman, Zeithaml & Berry, 1985). This expectation-performance paradigm becomes critical in determining customers' responses. Hence, comparing customers' perceptions on service quality proves to be of the utmost importance in this comparative study of the two target groups of banks.

Service innovation, the second service performance dimension examined in this study, plays an important role in a highly competitive business environment like the one in Tanzania. Service firms may fail to achieve their business targets if

they neglect service innovation, because the ability to innovate creates unique offerings which ultimately determine a firm's survival (Berry, Shankar, Parish, Cadwallder & Dotzel, 2006). Moreover, under service innovation, bank charges across the two groups of banks are relevant in the study as service charges play a fundamental role in determining a customer's sense of getting value for money, which is an important component of customer satisfaction (Jun & Cai, 2001).

Finally, access to cash distribution facilities is examined as a component of service performance since it is closely related to service delivery (Jun & Cai, 2001) and it has a role to play in satisfying customers. It is imperative to consider the importance of cash distribution networks across Tanzania from a customer perspective, as cash distribution abilities are often a strong requirement due to the preference of using cash by several businesses and customers. This dimension is particularly relevant in this study as most Tanzanian customers prefer cash transactions to debit or credit card transactions.

Customer satisfaction is another important comparison across the two groups of banks. This is motivated by the ease with which customers can switch between banks to search for better service offerings if they feel dissatisfied with a particular service. One of the measurement items for customer satisfaction is customers' future use of the bank's services.

Corporate reputation is included in this study because recent studies show that a firm's success in a competitive business environment is largely determined by its intangible assets, corporate reputation being one of them (Markus & Manfred, 2005). That being the case, the corporate reputation of the banks in

the two groups is examined to establish how the groups compare in the perception of their customers.

And lastly, the cultural orientation of customers who are using banking services in Tanzania may also be important. Cultural orientation has been attracting a great deal of attention among researchers and practitioners in the discipline of marketing management. It has become a vital strategic focus in the current competitive business environment because customers' perceptions of service delivery are filtered through the lens of culture (Bolton & Myers, 2003). Moreover, since attitudes and beliefs are an integral part of the affective component of any culture, many scholars believe that their impact on satisfaction levels goes beyond classical expectancy-disconfirmation effects (Szymanski & Henard, 2001).

A comparative study that examines how cultural orientation, service performance and customer satisfaction act as antecedents of corporate reputation would enhance the understanding of the differences between local and foreign banks in Tanzania. The differences and similarities revealed by the study could be considered both scholars to obtain a better understanding of consumer behavior in the Tanzanian banking context. Similarly, the findings would be useful for practitioners towards improving service performance, customer satisfaction and corporate reputation. Moreover, these similarities and differences would lead to further insights into service performance management in the banking sector within the African context and Tanzania in particular.

In examining the interrelationships between the constructs, structural equation modeling (SEM) is applied. This procedure is designed to combine aspects of factor analysis and multiple regression analysis, making it possible for the researcher to simultaneously investigate a series of interrelated dependence

relationships among the observed and latent variables as well as between several latent variables. With the dependence relationship, the regression-type relationship is shown in the path diagram, by a one headed arrow which flows from the independent or exogenous variable to the dependent or endogenous variable (Hair, Black, Babin & Anderson, 2010).

While efforts to define and measure cultural orientation are worthwhile and valid in the general marketing management literature, little is known about the relationship between personal cultural orientation (Sharma, 2010), service performance and customer satisfaction, or how the interrelationships of these constructs influence customers' perceptions of corporate reputation.

1.2 PROBLEM STATEMENT

The banking industry in Tanzania has become highly competitive. Several banks, both local and foreign, entered the sector with the anticipation of generating large profits. The industry provided a great number of opportunities for the expansion of available market share, as more people became educated and aware of the benefits of using banking services (Bank of Tanzania, 1996; Daudi & Sonny, 2002; Nyagetela & Tarimo, 1997; Rutihinda, 1992b).

Furthermore, in the prevailing borderless global markets, firms' products and services can be sold to customers of nearly any other country as their governments have been progressively loosening strict trade regulations and opening up markets. However, even when a firm's products and services are graded as superior in both quality and price competitiveness compared to those of a host country, doing business in a foreign market turns out to be challenging for many unanticipated reasons. One is the fact that customers' wants and

needs differ between countries, influenced by the customers' cultural orientations. An exploration of the role of culture in customer perceptions is an increasingly important focus in marketing and international business practices because culture has been successfully associated with various outcomes of customer behavior and attitudes such as trust and loyalty (Boonghee & Naveen, 2005), perceptions on service delivery (Bolton & Myers, 2003) as well as an affective component, which Szymanski and Henard (2001) believe has an influence on customers' satisfaction levels. It is therefore undeniably important to understand the role that personal cultural orientation has in shaping customers' attitudes and subsequent behavior towards foreign and domestic products and services.

Investigating customers' cultural orientations is done with a view to understanding how it influences customers' perceptions of service performance. The interrelationship of service performance and customer satisfaction is explored because the survival of a business firm lies in the profit it generates, which is generally believed to be linked to customer satisfaction (Ming & Ing, 2005). Focusing on key service delivery dimensions could make banks operating in the Tanzanian banking industry more competitive in the delivery of quality service and thereby enhance their corporate reputation.

1.3 PURPOSE OF THE STUDY

The primary purpose of this study was to examine whether personal cultural orientation has an effect on perceptions of service performance, customer satisfaction and corporate reputation. A further purpose was to investigate where the type of bank (foreign or local) moderates the relationships between personal cultural orientation, service performance and customer satisfaction. In addition, the moderating role of foreign/local banks on the relationships between

perceptions of service performance, customer satisfaction and corporate reputation were investigated.

Therefore, a comparative analysis was conducted between foreign and local banks, by exploring differences between foreign and local banks' customers in cultural orientation, perceptions of service performance, customer satisfaction and perceptions of corporate reputation, and differences in the strength of the relationships between the two major groups of customers.

1.4 RESEARCH OBJECTIVES

The primary research objective of this study was to investigate the relationships between personal cultural orientation, service performance and customer satisfaction, and their effect on the corporate reputation of both foreign and local banks operating in the Tanzania, and to examine the moderating role of the type of bank used by customers, on these relationships. Specifically, this study endeavored to:

1. develop and test a model of service performance that is relevant to the Tanzanian context;
2. examine differences in perceptions of service performance between local and foreign bank customers;
3. examine differences in customer satisfaction levels between local and foreign banks;
4. compare the perceived corporate reputation of their banks between local and foreign bank customers;
5. investigate the relationships between service performance, customer satisfaction and corporate reputation;

6. compare the strengths of these relationships between local and foreign bank customers;

7. compare personal cultural orientation between the customers of local banks and customers of foreign banks;

8. investigate the relationships between key aspects of personal cultural orientation (consumer innovativeness, traditional values and prudence values) and second order constructs of service performance (service innovation and service quality); and

9. compare the strengths of these relationships between local and foreign bank customers.

1.5 IMPORTANCE AND BENEFITS OF THE STUDY

Service industries play an important role in the social and economic growth of countries globally. The service sector is currently considered to be the largest and fastest growing sector compared to other sectors such as mining, agriculture, construction and manufacturing. The sector encompasses a diverse and complex range of organisations and enterprises. These include national and local government services, for example, education, health, social security, police, the military, transport, legal, information and credit; non-profit private services, for example, charities, churches, research foundations, mutual societies and foundations; and for profit private services, for example, utilities, hotels, airlines, architects, restaurants, solicitors, retailers, entertainment, banks, insurance companies, advertising agencies, consultancy firms, market research companies and communications (Priya & Sandeep, 2012).

Over the past fifteen years there has been a considerable increase of the involvement of foreign banks in the domestic banking markets in the sub-

Saharan African countries. These foreign banks that mostly originate from economically developed countries have been investing significantly in this region. The existence of these foreign banks contributes to the growth of the banks' credit lending and enhances the financial stability of domestic banking industries. The domestic banks are forced to start operating more efficiently as the foreign banks keep on exerting more competitive pressure (Birte, 2010).

It is well understood that a competitive banking industry plays a significant role in a country's financial stability and growth (Simpasa, 2011). Competition in the Tanzanian banking industry between foreign and local banks makes it important to understand the challenges facing both groups of banks and the similarities and differences between them. Research on the competitiveness of commercial banks is undeniably relevant for a developing country that is striving to enhance the standard of living of its citizens by expanding banking services to formerly un-served areas.

In addition, considering the dearth of scholarly work that has been done on the banking industry in Africa and in Tanzania in particular, this study makes a theoretical contribution to an understanding of the determinants of service performance using an expanded service delivery model across the two groups of banks. This study also assists in the development of an understanding of the effect of culture on the perceptions that customers hold of their banks.

1.6 CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This empirical study examined the role of personal cultural orientation on perceptions of service performance and customer satisfaction as antecedents of corporate reputation. The unique context of banking within the Tanzanian

context, required the development of a service performance model that is reflects the important components of service delivery. These constructs were compared between foreign and local banks in Tanzania. This was achieved by comparing personal cultural orientations, service performance, customer satisfaction levels, and the corporate reputation between the two types of banks. In addition, by examining the effects of service performance and customer satisfaction on a bank's reputation, and by comparing the effects of different cultural orientations on service performance and on customer satisfaction, a deeper understanding was obtained of how these constructs compare between local and foreign banks.

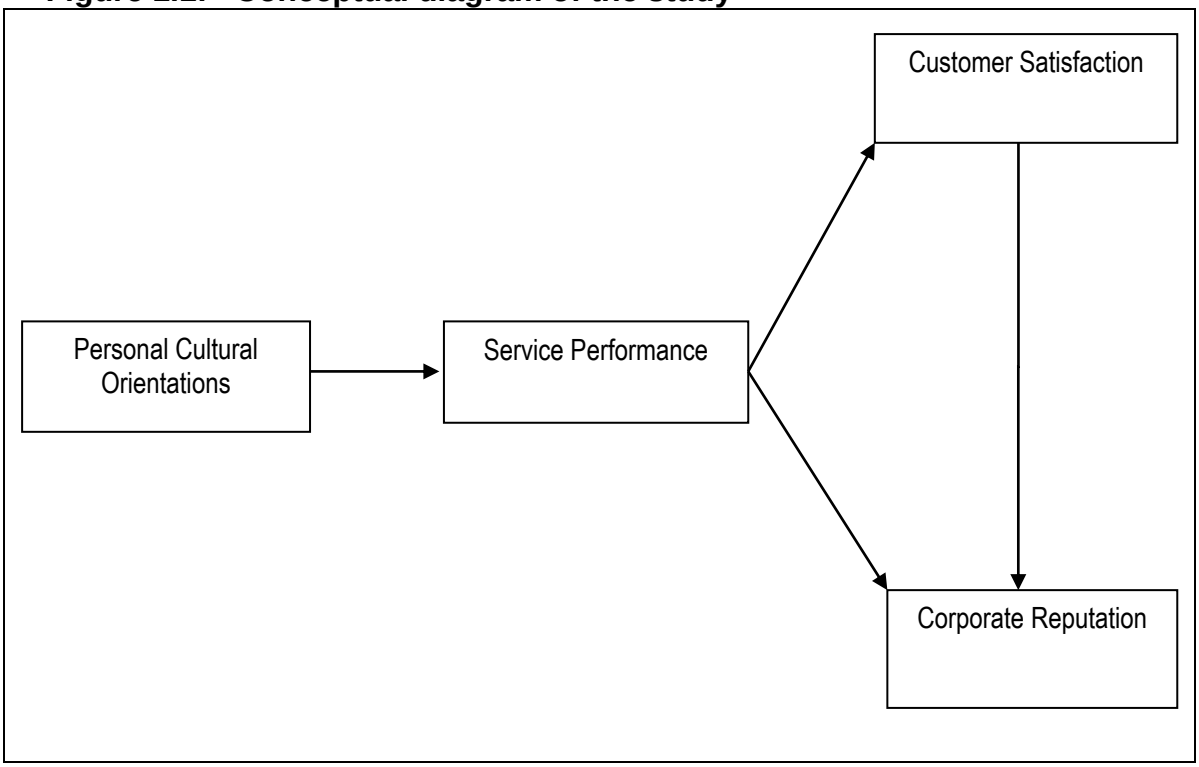
The relevance of this study is that it differs from previous studies on service quality, which concentrated on other scholarly aspects such as customers' perceptions of the firm's service delivery (Svetlana, 2011), or service quality scale development and validations (Dabholkar, Thorpe & Rentz, 1995), or service quality and subsequent customer behavioural outcomes (Sanjiv & Rajat, 2012). Previous studies on customer satisfaction were largely centered on its effects on customer loyalty (Gonçalves & Sampaio, 2012) while perceived corporate reputation studies were focused on examining its relationship with customer satisfaction, and with customer loyalty and trust towards business firms' products and services (Walsh, *et al.,* 2006).

1.7 PERSONAL CULTURAL ORIENTATION, SERVICE PERFORMANCE, CUSTOMER SATISFACTION AND CORPORATE REPUTATION

Figure 1.1 presents the conceptual framework and the relationships between the constructs which formed the rationale for the development of the hypotheses guiding this study. Figure 1.1 provides a conceptual diagram of how

personal cultural orientation, service performance and customer satisfaction are hypothesised to act as antecedents of corporate reputation.

Figure 1.1: Conceptual diagram of the study



1.8 SCHOLARLY CONTRIBUTION TOWARDS THE MANAGEMENT OF BANKING SERVICES

This study contributes in a number of ways to the literature on services marketing specifically for banking services. Firstly, this study investigated the effects of personal cultural orientation, service performance and customer satisfaction on corporate reputation and compared local and foreign banks in the Tanzanian banking industry in these respects. Secondly, foreign and local bank customers' were compared for their cultural orientation, as culture may be a key variable that influences customers' perceptions and expectations of service performance. Thirdly, the study investigated perceptions of service delivery, using an expanded service delivery model, from the customers' point of view, and examined how it differs between foreign and local banks. Fourthly, the study did a comparative analysis of customer satisfaction levels between foreign and local banks in order to establish how customer satisfaction may affect corporate reputation. Finally, the study identified important dimensions of service performance that banks may take into account in their marketing strategies.

The study also contributed to the academic literature by considering the role of individual personal cultural orientations that have to be taken into account when improvements in service performance are considered in order to enhance customer satisfaction. In addition, unique differences and similarities between foreign and local banks within Tanzania were also explored, and these similarities and differences contributed further insights into service performance management in the banking sector.

Finally, the findings from the study helped to identify factors relating to customer cultural orientation and service performance that may need to be considered by the banks so as to enhance their service performance.

1.8.1 DELIMITATIONS OF THE STUDY

The following were the main delimitations that are applicable in this study:

- The study was limited to examining the role of the four constructs in the Tanzanian banking industry involving both local and foreign banks, namely personal cultural orientation, service performance and customer satisfaction that in turn act as antecedents of corporate reputation.

- The study was limited to interviewing respondents who had at least six months experience with a particular bank, so that they could share their personal experiences with their particular banks.

- The study was cross-sectional; its findings are therefore relevant at a particular point in time and may not necessarily be relevant over extended time periods, since the attitudes of customers are a dynamic phenomenon.

- Responses in this study were collected from the customers who have been using the services of the banks that operate in the Tanzanian business environment. These findings reflect the attitude of customers who are found in Tanzania and therefore they cannot be generalised to customers beyond Tanzanian borders.

- The study excluded customers below 18 years of age as they were considered not to have active banking transactions.

- Customers who were with the particular bank for a period shorter than six months were also excluded in the study.

- Only individual and small to medium business customers were included in the study.

1.9 DEFINITIONS OF KEY TERMS

Table 1.1 gives the definition of various key terms as emanating from the relevant literature:

Table 1.1: Definition of terms

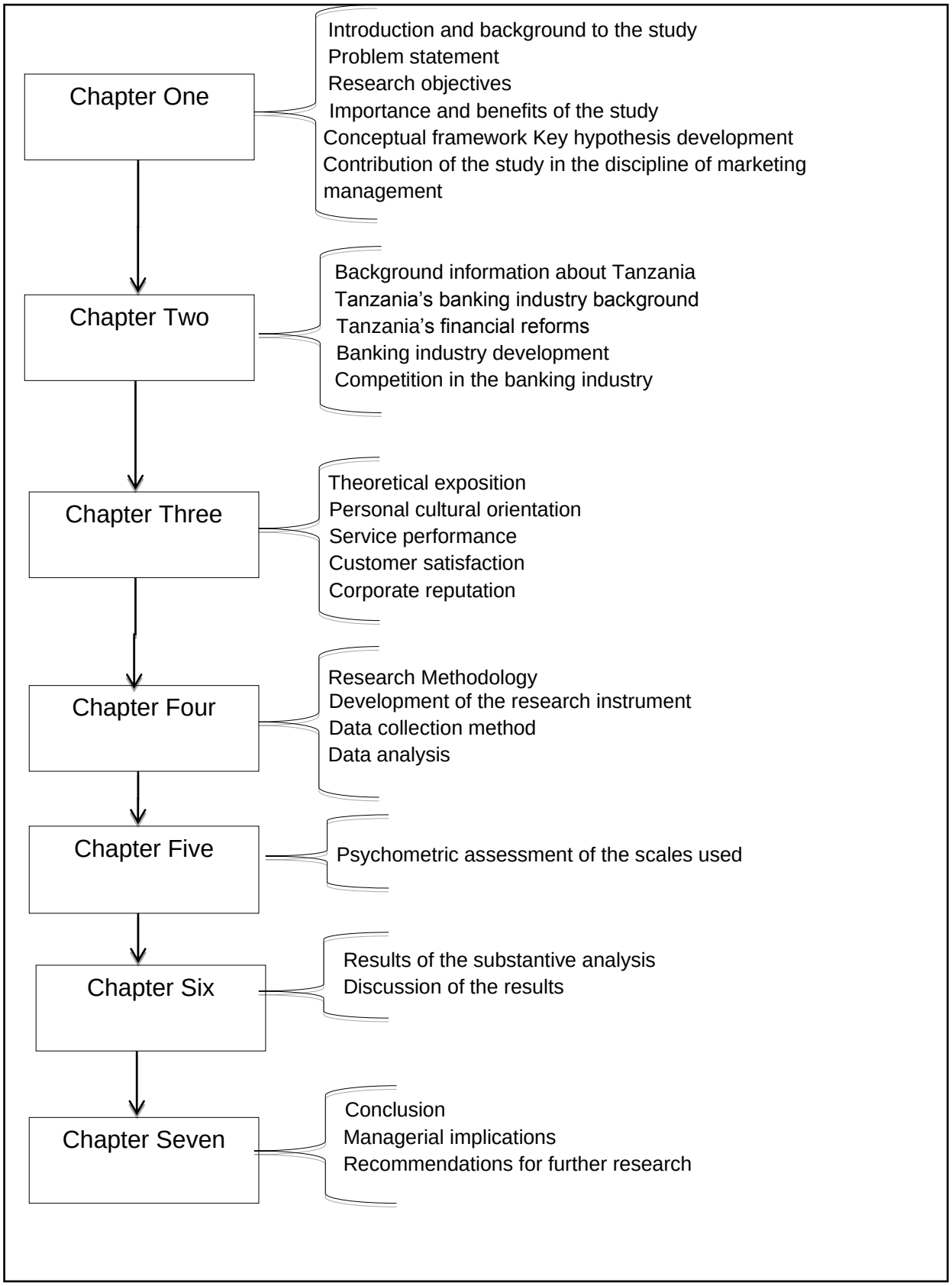
Customer satisfaction	Customer satisfaction is defined as the end-state resulting from the experience of consumption that the customer experiences (Vavra , 1997).
Service quality	This term is defined as the subjective comparison between customer expectations and perceptions of the service delivered (Parasuraman, Zeithaml & Berry, 1985).
Service orientation	Service orientation is defined as a set of individual predispositions and an inclination to provide service and to be courteous and helpful in dealing with customers and associates (Hogan, Hogan & Busch, 1984).
Corporate reputation	This is the outcome of a competitive process in which a firm signals its key characteristics to constituents in order to maximize its economic and non-economic status (Fombrun & Shanley, 1990).
Culture	Is the pattern of variations within a society, or, more specifically, the pattern of deep-level values and assumptions associated with societal effectiveness, shared by an interacting group of people (Martha, Carolina, Joseph, Niels & Pei-Chuan, 2002).
Personal cultural orientation	Personal cultural orientation is defined as different individual cultures that can be seen across countries (Sharma, 2010).

This chapter addresses the background to the study and gives a justification as to why it was appropriate to carry out a comparative study between foreign and local banks at this time, focusing on how customers' cultural orientation influences their perceptions of the banks' service performance, and how this influences customer satisfaction and the banks' reputation. The research objectives explained what the study intends to achieve and how the findings could contribute to marketing management literature. Chapter 2 gives a background information of the Tanzanian banking industry.

1.10 PLAN AND STRUCTURE OF THE THESIS

The thesis comprises seven Chapters. Chapter 1 contains the introduction and background to the study, the problem statement, research objectives, importance and benefits of this study, conceptual framework and key hypothesis development, key research objectives and lastly the study's contribution to the discipline of marketing management. Chapter 2 addresses research settings that include Tanzania's background, pre and post-independence and the influence on the country's banking industry of the sectoral financial reforms that took place after independence. Chapter 3 provides a theoretical exposition covering the scholarly literature about personal cultural orientation, service performance, customer satisfaction and corporate reputation. Chapter 4 discusses the research methodology used in this study, the development of the research instrument, as well as the methods of data collection and data analysis. Chapter 5 presents a psychometric assessment of the scales used in this study. In Chapter 6, the results of the substantive analyses and a discussion of the results is presented. Chapter 7 concludes with managerial implications and recommendations for further research. The layout is shown in Figure 1.2.

Figure 1.2: Chapter layout of the thesis



CHAPTER 2

THE TANZANIAN BANKING INDUSTRY

"*...intellectuals have a special contribution to make to the development of our nation, and to Africa. And I am asking that their knowledge, and the greater understanding that they should possess, should be used for the benefit of the society of which we are all members*" [Julius K. Nyerere, President of Tanzania, 1962-1985], (Nyerere, 1973).

2.1 INTRODUCTION

This chapter provides a short profile of Tanzania and the role of the banking industry in its economic development. The description includes a brief review of the financial and economic reforms before and after independence, the development of the country's banking industry during the colonial era, and the situation before and after the Arusha Declaration, which was the country's socialist manifesto. The chapter concludes by explaining how the entry of foreign banks has changed the country's banking industry, and how it has shaped the daily operations and challenges of both local and foreign banks.

2.2 GEOGRAPHICAL LOCATION AND TOPOGRAPHY OF TANZANIA

Tanzania is situated in Sub-Saharan Africa on the east coast of Africa, its geographical coordinates being 6˚00′S and 35˚00′E. The landscape comprises plains located along the coast, a central plateau and highlands in both the northern and southern parts. In the northern part are Mount Kilimanjaro, which

is the highest mountain in Africa, and Lake Victoria, a source of the River Nile. Tanzania also has a number of game reserves and national parks, including Mikumi National Park, Tarangire National Park, Ngorongoro National park, covering 8 300 square kilometers, Serengeti National Park, which is the most famous, with an area of 14 800 square kilometers, and the Selous Game Reserve, which is the biggest game reserve in Africa, covering an area of 54 000 square kilometers (Haussler, 2002; Matiku, 2007).

The country's climatic variations are brought about by the Indian Ocean westerly monsoon winds which cause showers in several parts of the country during November and December, and heavier rain from February to May. The coolest months are June and July, while the hottest months are December and January (Haussler, 2002, Matiku, 2007).

Tanzania is one of the five countries in the region that form the East African Community, abbreviated as EAC. Kenya, Uganda, Rwanda and Burundi are other member states, all bordering Tanzania – as shown on the map in Figure 2.1. The EAC was initially formed in 1967, when there were only three countries, namely Tanzania, Kenya and Uganda. This community collapsed in 1977, mainly due to power imbalances among the member states. On 7 July 2000 the EAC was reinstated with Rwanda and Burundi joining the community. With the EAC being operative, an expanded free trade agreement was initiated among the member states geared towards enhancing their economic growth. During 2010 the member states agreed on the principle of common markets which aimed at the free movement of goods, services and labour among the member states (East African Community, 2010).

Figure 2.1: Map of the United Republic of Tanzania

2.3 POLITICAL CONTEXT

Tanzania's independence from colonial rule was attained in 1961. The United Republic of Tanzania is a result of the union between the mainland territory, which was called Tanganyika, and the island of Zanzibar. This union took place in 1964. However, the island of Zanzibar still maintains a semi-autonomous government and legislature (World Bank, 2014).

The current country's president, Jakaya Mrisho Kikwete, is the fourth democratically elected president under the multi-party system. His predecessors were the late Julius Kambarage Nyerere as the first president, Ali Hassan Mwinyi and Benjamin Mkapa. The ruling party, Chama cha Mapinduzi, which means in English: "Party of the Revolution", has been dominant in the country's politics since Independence (World Bank, 2014).

In 2012, under the presidency of Jakaya Kikwete, Tanzania started a move to review and rewrite the country's constitution (1977). The draft of this constitution is currently being discussed by the 600-member Constitutional Assembly. The approved constitution will be voted on by the citizens. It is expected that Tanzania will be able to adopt the new constitution before the October 2015 general elections (World Bank, 2014).

2.4 AN OVERVIEW ON THE COUNTRY'S ECONOMIC FEATURES

Based on the 2012 census, about 32 million of the Tanzanian population of 45 million people, 71 percent, reside in rural areas. The rural population depends largely on agriculture as their basic economic activity. Nevertheless, agriculture has not received development support from other economic sectors, whether in terms of financial support, technological support or forms of credit. Lack of support means that farmers are dependent on non-mechanised methods as a means of production. Despite all these shortcomings, the agricultural sector still contributes over 26.8 percent of the nation's gross domestic product, while 24 percent comes from industry and construction and 47.6 percent from service industries (National Bureau of Statistics, 2012).

Tanzania is endowed with various types of natural resources including gold, diamonds, coal, iron, hydropower and natural gas, just to mention a few. Abundant oil deposits have also been discovered along the country's coastline and explorations for these oil deposits are underway. Tanzania can be closely compared to South Africa in terms of natural resources endowments. However, it remains one of the poorest countries in the world. Low levels of exploration of the natural resources in Tanzania have been due to poor use of technology, lack of knowledge of the problems associated with exploration and uncertainties that come with exploration activities. If exploration and exploitation of the natural resources could be done efficiently, then Tanzania could be one of the richest countries in the world (Jones & Thornton, 2002).

In terms of agricultural exports, Tanzania has been exporting cotton, coffee, tea, sisal, tobacco, cashew nuts, flowers, seaweed and cloves. Tanzania has however been importing petroleum, machinery equipment, and clothing, equipment used in transport systems, pharmaceuticals and chemicals that could be used in both agricultural and manufacturing sectors. Countries that have been supplying Tanzania with various imports are Japan, Germany, India, the United States of America, Hong Kong, the United Arab Emirates, Singapore and South Africa (Jones & Thornton, 2002).

2.4.1 Tanzania's Economic Turmoil

Tanzania experienced economic growth between the 1960s and the beginning of the 1970s (Bekefi, 2006). However, this period was followed from the mid-1970s to 1980s by a serious economic depression that caused the country to experience several economic challenges (Kristiansen, 2004; Kristiansen & Mbwambo, 2003). This economic depression was brought about by the oil crisis

in 1973 which was caused by the reduction in the supplies of crude oil in the world market by the Organisation of Petroleum Exporting Countries (OPEC). This led to enormous increases in the prices of oil worldwide, resulting in the fall of the price of commodities in the 1970s and 1980s (Bekefi, 2006). Tanzania, heavily dependent on the export of agricultural raw material, suffered terribly. This was exacerbated by consecutive drought periods between 1973/1974 and 1981/1982; the demise of the East African Community in 1977, and the country's involvement in the war with Uganda between late 1978 and 1980 (Mbeki, 2005, Bekefi, 2006, Mwakikagile, 2010). Weaknesses in Tanzania's agricultural policies resulted in greater dependence on cash crops, which are mainly for profit, rather than on food crops, which are meant for household consumption. Poor performance of state owned enterprises intensified the crisis (Temu & Due, 2000; Bekefi, 2006).

Tanzania's economic crisis led to a series of social problems. The first was the decline in income per capita, which fell from 2.5 percent between 1965 and 1970 to -1.6 percent during 1980 to 1985. The second was an increase in the inflation rate; and the third was the poor performance of public enterprises (Kristiansen, 2004; Kristiansen & Mbwambo, 2003). The situation became even worse after the devaluation of the country's currency, which absorbed a large part of the country's revenue. The weakening of the country's financial capability led to the deterioration of social services such as education and health, which were provided free. Consequently, the economic crisis led to great shortages of basic consumer goods such as sugar, salt, edible oil, soaps, kerosene, cloth, batteries and corrugated iron sheets (Sharpley, 1985).

2.4.2 Efforts Directed Towards Economic Liberalisation

The failure of various public enterprises to provide expected services signaled an economic crisis and forced the government to change its strategic focus and to open discussions with the International Monetary Fund (IMF) and the World Bank (WB) (Kristiansen & Mbwambo, 2003; Mwaigomole, 2008; Temu & Due, 2000). The first effort to reform the country's economy was institutionalised through the National Economic Survival Programme (1981-1982), while the second was implemented from 1983 to 1986 under the country's Structural Adjustment Programmes (SAP). These programmes were aimed at reducing the fiscal gap and reinforcing macroeconomic stability. They were followed by two major reform programmes: the Economic Recovery Programme (ERP), which took place from 1986 to 1989, and the Economic and Social Adjustment Programme (ESAP), between 1989 and 1992. The reform programmes, which were administered under the guidance of the IMF and the WB, made significant changes in the country's policies on economic management. The emphasis was put on trade and economic liberalisation which in turn led to the opening up borders for commercial banks to obtain entry into the country (Mwaigomole, 2008).

The country's move from a state-led economy to a market driven economy redefined the government's engagement in the country's business operations. This economic liberalisation led to the private sector taking charge of the country's economic growth (Kapinga, 2008; Mwaigomole, 2008), while the government retained the role of institutionalising policies, enforcing the rule of law, and ensuring both the provision of social services and economic development (Kristiansen, 2004). Consequently, public control in the financial sector was eased, as the non-performing public organisations in the industry were privatised to enhance their performance (Temu & Due, 2000).

2.5 IMPLEMENTATION OF THE IMF AND WB SUPPORTED REFORM PROGRAMMES

The implementation of the IMF and WB supported economic reform programmes in the mid-1980s redefined Tanzania's economy and led to significant improvements in the country's overall economy (Kristiansen, 2004; Mwaigomole, 2008). Based on Tanzania's economic survey of 2007, the economy grew by 7.1 percent in 2007, compared with 4 percent in 1999, 4.7 percent in 2000 and 6.7 percent in 2006 (Ministry of Finance and Economic Affairs, 2008). At the same time, the inflation rate dropped from 35.4 percent in 1994 (Ministry of Finance and Economic Affairs, 2005) to 4.2 percent in 2004, which was the lowest since 1973, based on the Bank of Tanzania's economic data (United Republic of Tanzania, 2005). Nevertheless, inflation started to pick up again from 4.7 percent in 2005 to 12.1 percent in 2009, partly due to a serious drought in 2006/07 and the global financial crisis in 2008/09 (Ministry of Finance and Economic Affairs, 2010).

However, economic growth was not evident in the overall living standard of citizens. For instance, the privatisation of public organisations brought cost cutting measures which led to significant decreases in employees' wages (African Forum and Network on Debt and Development, 2007). During this period of economic and social adjustment, a cost sharing policy was implemented in education as well as in water and health services, which led to enormous and unprecedented increases in the cost of living. Farmers also experienced high cost increases in the production of agricultural products due to the discontinuation of government subsidies. These increases reduced the production of agricultural products (Temu & Due, 2000; Kristiansen & Mbwambo, 2003), caused hardship in rural areas and led to rural-urban migration.

Therefore, although the IMF and WB programmes managed to revive the country's economy, there were issues that were not addressed at the micro level. This situation made the government adopt and implement the National Economic Empowerment Policy that was geared towards enhancing economic development and paving the way to economic success for all citizens (Ministry of Finance and Economic Affairs, 2008).

2.6 COMMERCIAL BANKING ACTIVITIES

Banking operations in developing economies were originally very regulated and protected, with banks living off good spreads attained on controlled deposits and lending rates and administered by stringent restrictions for both domestic and foreign entry (Rhoades, 1998; John & Dubravko, 2001). Before the economic reforms that took place in the 1980s the Tanzanian banking industry was highly protected, which made state-owned banks the dominating banks in the industry.

However, in the 1990s international markets, great improvements and inventions in technology, banking predicaments and macroeconomic pressures forced both the banking industry and financial managers to develop new strategies in carrying out business activities, liberalising the banking industry at the domestic level and opening up financial markets in order to enhance foreign competition (McAllister & McManus, 1993; Beck, Demigurc-Kunt & Levin, 2006). All these changes were geared towards improving the operating efficiency of the banking industries, as the presence of foreign banks in the domestic markets would eventually improve the performance of the local banks (Doku, Abor, Adjasi & Andoh, 2012; Florian, 2012, Pastory & Moshi, 2014).

The opening up of financial markets to foreign competition also led to the collapse of borders between financial products, between banking and non-banking financial institutions, and between the geographical locations of the financial institutions. This intensified competitive pressure on banks in countries with developing economies, causing significant changes in the overall structure of the banking industry (Beck, *et al.,* 2006; John & Dubravko, 2001). This is evident in the Tanzanian context, where after the entry of the foreign banks, local banks had to focus on service performance, customer satisfaction and their own reputation to retain customers.

These vicissitudes have influenced the increased competitive pressure on banks in developing economies and paved the way for profound changes in the overall structure of the banking industry. This amplified competitive pressure at the domestic level was largely brought about by the elimination of upper limits on the charges of deposited funds and the softening of regulations for the costs of deposit accounts. These industrial deregulation processes that were undertaken at the domestic level managed to force down sources of cheap and easy funding for many banks and as a result put more pressure on their generated profits. Intensified competition was made harder by cross-subsidisation and this ultimately forced banks to be more realistic on price risks (John & Dubravko, 2001; Doku, Abor, Adjasi & Andoh, 2012; Florian, 2012). In this study it is reasoned that service innovation includes technological innovation by both foreign and local banks as well as reductions in service charges, both of which play a role in satisfying customers and influencing their opinion of their bank. The cost of bank services is particularly relevant in the Tanzanian context. As a developing country the majority of its people are poor and therefore the price of an item becomes an important aspect of a purchase decision.

At present, developing countries tend to liberalise their banking industry so as to attract capital inflow and to promote the reform of their own inefficient banking industry. Foreign banks support this reform process through the spill-over effect of having local banks adopt their technological advances as well as by intensifying competition between foreign banks and local banks (Goldberg, 2004; Florian 2012; Fosu, 2013). These changes elucidate the reasons for the continued competitive structure of Tanzanian banking in response to the entry of foreign banks in the industry.

The softening of regulations on the entry of foreign investors in domestic markets and the search by global business firms for more business opportunities and higher profits, have led to increased foreign investments by financial institutions in the domestic banking industry. Nevertheless, a large number of these foreign banks adopted local banks' approach such as using local brand names as penetration strategies in the domestic markets. The use of local brand names was deliberately intended to enable foreign banks to exploit customer loyalty and to avoid provoking local nationalistic feelings (John & Dubravko, 2001).

The acquisition of domestic banks or greenfield investments is the main way that foreign banks enter a particular domestic banking industry. Domestic banks acquire technological skills from the foreign banks through the spill-over effect; although these acquired skills will not be as sophisticated as those of the foreign banks. However, when well established, these domestic banks can choose to invest in technology so as to be able in the later years to have a technological capability similar to that of foreign banks (Lehner & Schnitzer, 2006). For instance in Tanzania, the National Bank of Commerce, which was formerly state-owned, now has ABSA (Barclays) as the majority shareholder and the government of Tanzania as the second biggest shareholder. This has

helped the bank in terms of adopting new technology and other banking strategies from ABSA Commercial Bank, which is one of the largest banks in Africa. The adoption of new technology plays a role in satisfying customers as well as enhancing a bank's reputation.

The presence of foreign banks in the domestic industry compelled policy makers and specifically local bank managers to pay attention to them. The daily operations of foreign banks may have significant effects on the local banks' competitive structure, which could threaten their profits and market share, while at the same time influencing the local banks' fees and their product and service quality (Eugenio, Giovanni & Maria, 2007). Through its Banking Supervision Directorate, the Bank of Tanzania regulated the industry in order to maintain financial stability in the country and to ensure that there was fair competition among the banks and that customers were protected when using the financial services of the banks (Bank of Tanzania, 2011).

However, in spite of a number of financial sector reforms that have taken place in African states, Tanzania being one of them, the banking system in Africa is still recognised as one of the smallest in terms of total assets. In addition, Africa's financial sector is characterised by low intermediation, low financial inclusion, limited outreach, low market power, monopolies and big differences between lending and borrowing rates (Doku, Abor, Adjasi & Andoh, 2012). These outcomes of financial sector reform programmes in Africa show that the financial sector's liberalisation is not enough to enhance competition in the region (Florian, 2012).

2.6.1 Pre-independence period

The growth of the Tanzanian banking industry began in the early 1900s. Throughout this period, commercial banks were the leading financial institutions in the then Tanganyika, which was the Tanzanian mainland. When Germany was still ruling there were only two commercial banks in the country: the Deutsche Ostafrikanische Bank, which started its operations in 1905, and the HandelsbankfürOstafrika, which was established in 1919. The main purpose of these banks was to deliver services to the rulers and the few business firms that were operating at the time (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

Prior to independence, the money supply in Tanzania was controlled by the colonial government that was in place. Historically, money supply in the country began in the 20th century, when Tanganyika, Rwanda and Burundi became German East Africa. The German East African Company (Deutsch-OstafrikanischeGesellschaft) governed the colony up to 1903 and was solely responsible for regulating money supply. Later on this responsibility was taken over by the German government (Bank of Tanzania, 1996; Daudi & Sonny, 2002).

When World War I (1914-1918) ended, Tanganyika, until then a German colony, came under the British Empire and the currency that was used in the adjacent British colonies, namely Kenya and Uganda, came to be used in Tanganyika as well. In 1919 the East African Currency Board was formed with the main objective of managing currency supply and circulation (Bank of Tanzania, 2011).

After taking control of Tanganyika, the British established three commercial banks to replace the German commercial banks: National and Grindlays Bank, Standard Bank and Barclays Bank D.C.O. In the 1950s, commercial banks from India started operating in Tanganyika as well, including the Bank of India and the Bank of Baroda, which had branches in Dar-es-Salaam, Moshi and Mwanza (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The Anglo-French Institution known as the Ottoman Bank also started operations in Dar-es-Salaam, Kigoma and Moshi. At the time of independence in 1961, the country's banking sector consisted of the Standard Bank of South Africa, National and Grindlays Bank, Barclays Bank D.C.O and the Ottoman Bank. Other banks were the Bank of Baroda, the Bank of India, the Commercial Bank of Africa and the National Bank of Pakistan. The Post Office Savings Bank, Land Bank, Local Development Loan Fund, African Productivity Loan Fund and some housing and loan associations were specifically established to meet the demands of the Asians and White settlers. (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

During the British colonial era, the Pound/Shilling system was introduced in 1921 and the East African Currency Board introduced its first currency issue. At the same time, colonial banking activities established a legal framework that relied heavily on Great Britain's banking practices as well as what was happening in its East African colonies. In 1956 the East African Currency Board started to operationalise its role on fiduciary issues, paving the way for the establishment of East African monetary policy (Bank of Tanzania, 2011).

In the colonial era the banking system had the following characteristics:

- domination by foreign commercial banks,
- inefficiencies in terms of mobilising funds and allocating them to the sectors which were considered to be economically productive, and
- a concentration of commercial banks in big cities such as Dar-es-Salaam, Mwanza, Moshi and Kigoma (Bank of Tanzania, 1996, Bank of Tanzania, 2011).

2.6.2 The Banking Industry after Independence

Tanganyika was granted her independence from colonial rule on 9 December 1961. This prompted enormous capital flight from commercial banks because of uncertainty about the business outcomes when the independent government came into power. As a result of these changes the commercial banks could not meet the demand for domestic credit. Immediately after Tanganyika's independence, Dr. E. Blumenthal, who was a financial expert from the Deutsche Bundesbank, which was the central bank of the federal republic of Germany, was approached to study the activities of the East African Currency Board and to give guidance on a new setting (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

Dr. E. Blumenthal suggested that the East African Currency Board should be transformed into an East African Central Bank and the member states of the region should create small country central banks. This recommendation was considered by the member states of the region to be impractical because of the dominant political environment. Consequently, the East African Currency Board was liquidated and three national central banks, the Bank of Uganda (BOU), the

Central Bank of Kenya (CBK) and the Bank of Tanzania (BOT) were instituted in June 1965 by the governments of Kenya, Tanzania and Uganda. The East African Currency Board officially stopped its activities in 1966. (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The Government's post-independence activities included the establishment of new financial institutions in order to supplement those that were operating at the time. The Tanzania Bank of Commerce (TBC) was established in 1965 and the People's Bank of Zanzibar in 1966. The People's Bank of Zanzibar was established by the government of Zanzibar with the underlying objective of giving financial support to the business firms that were owned by the government (Bank of Tanzania, 1996; Bank of Tanzania, 2011).

The financial intermediation process was integrated with specific financial institutions such as the Agriculture Credit Agency, which began operating in 1962 before being converted in 1964 to The National Development and Cooperative Bank. The process was supported by the government and by donors who were interested in financing sectors that were considered to have a significant impact on economic development. (Bank of Tanzania, 1996; Bank of Tanzania, 2011).

The Bank of Tanzania was formed by The Bank of Tanzania Act of 1965. This Act authorised the Bank of Tanzania to undertake all traditional central banking activities. However, in February 1967, eight months after the inauguration of the Bank of Tanzania, the Arusha Declaration put all major means of production and exchange into public sector ownership. This declaration, which was Tanzania's version of African socialism, was geared towards the economic empowerment of Tanzanian citizens (Bank of Tanzania, 2011).

2.6.3 From the Arusha Declaration to 1991

In 1967, the Arusha Declaration transferred all private commercial banks in Tanzania to the state. These banks' assets and liabilities were amalgamated in a single commercial bank, the National Bank of Commerce (NBC), which was fully owned by the government of Tanzania (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The Arusha Declaration forced the Bank of Tanzania to change its policies in order to fit into the new dispensation. Indirect monetary policy became redundant, for example the application of traditional instruments specified in the 1965 Act. There was no longer any competitive system that would render these indirect traditional instruments operative. The Annual Finance and Credit Plan (AFCP) became the main instrument for monetary policy during1971 and 1972. At the same time, the Foreign Exchange Plan (FEP) was developed to regulate the application of foreign exchange in line with national priorities. Both plans were established by the Ministry of Development Planning after consulting the Bank of Tanzania. The Bank of Tanzania and the existing banking system were responsible for the implementation of these two plans. Direct controls as specified in the Exchange Control Ordinance Cap 294 of 1973 and the Import Control Ordinance of 1951 Cap 292, which were later amended by the Finance Act of 1973, were used during the implementation process (Bank of Tanzania, 2011).

After the Arusha Declaration there was a rapid development of both non-banking financial institutions and banks. This was because of the significant involvement of the public sector in the country's economic development and the necessity of mobilising long-term funds to support sectors that were considered

productive. For example, the Tanzania Investment Bank (TIB) started its operations in 1970 with the aim of providing development finance to the country's productive sectors, specifically those in large scale industry (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The Tanzania Rural Development Bank (TRDB), which was later restructured and transformed into the Cooperative and Rural Development Bank (CRDB), was formed in 1972 to provide development financing to the rural sector. At the same time, in 1972, Tanzania Housing Bank (THB) started its operations with the aim of providing financing to rural and urban residential development, office buildings and trading places. National Insurance Corporation, Pension Funds and the Postal Office Savings Bank were other non-banking financial institutions that were established after the Arusha Declaration (Bank of Tanzania, 1996; Kimei, 1987; Rutihinda, 1992a).

The Arusha Declaration made the government of Tanzania the sole owner of all commercial banks and financial institutions other than Tanzanian Development Finance Limited (TDFL) and the Diamond Jubilee Trust Fund. This meant that the management of these banks and financial institutions was the responsibility of the government of Tanzania. This led to a change in the lending style. Commercial banks and financial institutions directed their credit lending to parastatal organisations that were managed by the government. This credit lending regulation had to adhere to the approved government National Credit Plans. Under the Arusha Declaration each operating financial institution was regulated by its own statute, while the Bank of Tanzania was given very limited supervision responsibility over the banking and financial system (Bank of Tanzania, 1996; 2011).

Concurrent with the Arusha Declaration, numerous developments emerged, such as a fundamental revolution in the rural economy as an outcome of establishing villages, industrialisation and ongoing weaknesses in the balance of payments. For the Bank of Tanzania to deal with these changes, the Bank of Tanzania Act was amended in 1978 by establishing four special funds: the Rural Finance Fund, the Industrial Finance Fund, the Export Credit Guarantee Fund and the Capital and Interest Subsidy Fund. These funds were formulated to provide an opportunity for refinance and to guarantee services to commercial banks and other financial institutions in addition to providing loans and advances to specified areas of the country's economy (Bank of Tanzania, 2011).

Moreover, the amendment shifted the responsibility for financial planning from the ministry accountable for planning to the Bank of Tanzania, which thereby assumed responsibility for preparing and implementing the Annual Finance and Credit Plan (AFCP) and the Foreign Exchange Plan (FEP). This Act also gave the power to the Bank of Tanzania to carry out inspection and supervision on the commercial banks and other financial institutions, a role that was not stipulated in the Bank of Tanzania Act of 1965. From 1978 the Bank of Tanzania had to oversee the state controlled economy so as to be able to attain the objectives of socialism and self-reliance. Due to this, the country came to have an inflexible economic system which had monopolistic features that strictly regulated and controlled production structures in all economic sectors. At the same time, the financial system comprised a small number of public financial institutions that enjoyed a high degree of monopoly in their specific areas of operation (Bank of Tanzania, 2011).

2.7.4 The Period After 1991

In 1988 the government of Tanzania established a commission of enquiry under the chairmanship of the current governor of the Bank of Tanzania, Ambassador Charles Nyirabu; to oversee all the country's banking activities. Three main reasons led to the establishment of this commission. Firstly, credit lending by commercial banks to the parastatals and cooperatives that were performing poorly caused an enormous increase in the losses of non-performing assets (Bank of Tanzania, 1996; Bank of Tanzania, 2011). Secondly, subsidised commercial banks turned out to be a burden to the government; and finally, commercial banks were not declaring dividends to their shareholders, which was problematic as the government had invested in these banks and therefore expected returns from them. The non-declaration of dividends by these commercial banks was mainly caused by their poor financial performance (Bank of Tanzania, 1996; Bank of Tanzania, 2011).

On the recommendation of the presidential commission of enquiry, the Banking and Financial Institutions Act (BFIA) was passed in 1991, in order to improve the banking business performance in the country. This Act empowered the Bank of Tanzania to be able to license, regulate and supervise commercial banks and financial institutions (Bank of Tanzania, 1996; Bank of Tanzania, 2011).

The Commission under the chairmanship of Nyirabu came with recommendations that led to the entrance of foreign and domestic private commercial banks in the banking industry. The first commercial banks that entered the Tanzanian banking industry were Meridian Biao Bank Tanzanian Limited (1992) which was incorporated in Stanbic Bank Tanzanian Limited in

May 1995, Standard Chartered Bank Tanzania Limited (December 1993), Eurafrican Bank Tanzania Limited (November 1994), later named BOA Bank, and Citibank Tanzania Limited (Bank of Tanzania, 2011).

The National Bank of Commerce was transformed in 1997, thereby establishing the following three business entities: NBC Limited (1997), the National Microfinance Bank Limited and Consolidated Holding Corporation. The Cooperate and Rural Development Bank was also transformed into a private commercial bank in 1996 and was named CRDB (1996) Bank Limited. This bank was later renamed as CRDB Bank PLC (Bank of Tanzania, 2011).

After the Banking and Financial Institutions Act was passed, the Tanzanian banking industry saw the failure of six commercial banks and financial institutions, namely, Tanzania Housing Bank (THB) (1995), Meridian Biao Bank (1995), Trust Bank Tanzania Limited (1998), Greenland Bank Tanzania Limited, Delphis Bank Tanzanian Limited (2003) and First Adili Bancorp (2000). The main reason for their failure was the failure of their parent banks (Bank of Tanzania, 2011).

The enactment of the Banking and Financial Institutions Act was amended in April 2003. This allowed for the establishment of community banks and financial institutions in order to enhance the accessibility of commercial banking activities to the majority of Tanzanians in their localities (Bank of Tanzania, 2011).

These improvements empowered the Bank of Tanzania to propose lower capital limits for the establishment of a community bank. By December 2010 the following eight community banks were already operating in Tanzania: Tandahimba Community Bank, Njombe Community Bank, Kilimanjaro

Cooperative Bank Limited, Kagera farmers' Cooperative Bank, Mufindi Community Bank, Mwanga Community Bank, Dares-Salaam Community Bank and Mbinga Community Bank (Bank of Tanzania, 2011).

2.7 REFORMS OF THE ECONOMIC AND FINANCIAL SECTORS DURING THE 1980s

During the 1980s the Tanzanian government initiated careful efforts to liberate the country's economy from financial depression, including the removal of state controls and the introduction of market mechanisms. These efforts led to the inception of indirect instruments for managing money supply, a development that was supported by the International Monetary Fund (IMF) and the World Bank (WB) adjustment programmes. These adjustment programmes included specified targets for different macroeconomic indicators. Based on the adjustment programmes, the government commenced with different measures that included limiting government financing, devaluing the country's shilling so as to give a true reflection of the surrounding market conditions, and finally, introducing structural measures geared towards the removal of controls in the foreign exchange market (Simpasa, 2011; Bank of Tanzania, 2011; Pastory & Moshi, 2014).

History showed that a central bank that is coupled with too many responsibilities at the same time ends up not achieving any of them. The main financial reforms therefore started with the passing of the Bank of Tanzania Act of 1995. This stipulated a clear shift from the multiple policy objectives of the Tanzania Act of 1965 to a single monetary policy objective that put the emphasis on price stability, so as to promote balanced and sustainable economic growth (Simpasa, 2011, Bank of Tanzania, 2011).

In order to be able to attain this economic objective, the Bank of Tanzania had to ensure the following:-

(1) a stable and suitable rate of increase in the country's money supply;

(2) acceptable rates of increase in domestic bank credit expansion which would not put pressure on the demand for productive resources and that should be in line with the objectives of money supply;

(3) interest rates that were both accurate and determined by the prevailing market;

(4) sufficient foreign reserves for the Bank of Tanzania to be able to intervene in the exchange of foreign markets so as to deal with both short and long term fluctuations of the exchange rates of the Tanzanian shilling, meeting import requirements, external responsibilities, and unforeseen foreign exchange demand, especially during a crisis; and finally,

(5) a fully functioning and efficient financial market that included an effective payment system (Simpasa, 2011, Bank of Tanzania, 2011).

The Bank of Tanzania Act of 1995 also recommended establishing and supervising the operations of a private credit reference bureau and enabling the Bank of Tanzania to achieve price stability and a healthy financial system. Furthermore, the Bank of Tanzania Act of 1995 stipulated other roles of the Bank of Tanzania that included licensing, regulating and supervising commercial banks and other financial institutions. The purpose was to enhance the soundness, efficiency and integrity of both the financial and banking system,

and ensuring effective and efficient payment systems and managing the country's international reserves. After observing the developments that emerged during the financial sector liberalisation period in the 1990s, the Bank of Tanzania Act of 2006 was passed. This Act came with recommendations such as enhancing the autonomy of the Bank of Tanzania, integrating international financial standards and best financial practices and strengthening the Bank of Tanzania's regulatory and supervisory function (Bank of Tanzania, 1996; Bank of Tanzania, 2011).

These financial sector reforms in the first generation reflected the recommendations of the report of the Nyirabu Commission of Enquiry. Legislation that involved the enactment of the Banking and Financial Institution Act (BFIA) of 1991 started to be enforced. The BFIA required the licensing of new commercial banks and financial institutions in the country's financial sector, which led to arise in competition in the financial sector, a situation that had not existed for more than thirty years (Simpasa, 2011, Bank of Tanzania, 2011).

During the reforms, the main clients of the financial sector were public organisations which were very weak financially. Due to their financial weakness, the government of Tanzania identified more than 350 public organisations that were privatised. During this process, the Parastatal Sector Reforms Commission (PSRC) was formed in 1993 with the aim of ensuring the rehabilitation and enhancement of these public organisations, thereby creating a strong client base for the financial sector (Simpasa, 2011; Bank of Tanzania, 2011).

Generally, the fundamental objectives of the first generation reforms of the financial sector were to establish a favourable environment for a free market system, to ensure the delivery of quality and reliable financial services and to

instutionalise a different and improved culture of carrying out business activities. The banking industry, which had only three commercial banks prior to the reforms, experienced a quick expansion with a steep increase in the number of the commercial banks establishing themselves in Tanzania. By December 2010, 42 commercial banks were operating in the country. The industrial growth came with remarkable improvements in the quality of customer service that went hand in hand with the introduction of new and improved products and services and included the introduction of automated teller machines (ATMs), internet banking and debit cards, to mention a few (Simpasa, 2011; Bank of Tanzania, 2011).

Nevertheless, the process of implementing the recommendations as stipulated by The Nyirabu's Commission of Enquiry was reviewed by the government in 2001. The consensus was that more effort was needed to enhance the efficiency of deploying and distributing financial resources, in other words to expand the accessibility of financial services to the majority of Tanzanians, who were still operating outside the recognised financial system. In order to stimulate economic growth, both medium and long term lending instruments were needed that would bring financial services closer to the small and medium enterprises sector (SMEs) (Simpasa, 2011; Bank of Tanzania, 2011).

2.8 ASSESSMENT OF THE FINANCIAL SECTOR PROGRAMME

A joint effort that was referred to as The IMF/World Bank Commission carried out a financial sector assessment programme (FSAP) in May 2003 as recommended by the government of Tanzania. The main emphasis of this programme was to evaluate the strength, weaknesses and overall reliability of the country's financial system (Simpasa, 2011, Bank of Tanzania, 2011).

The FSAP report pointed out that the structure of the country's financial system had a very limiting influence on the potential of the country's overall economic growth. The financial system was not sufficient to support the country's potential for economic development (Bank of Tanzania, 2011).

The reasons for this were firstly, that the accessibility of financial services for the majority of Tanzanians was insufficient because the majority of Tanzanians only had access to formal credit facilities, while financial institutions were charging high interest rates on loans provided. Secondly, the economy, largely dependent on agriculture, unpredictable aid flows and strict regulations on credit lending was experiencing macroeconomic risks. Finally, the financial markets, which had the fundamental role of establishing ties between savings and investments, were significantly underdeveloped (Bank of Tanzania, 2011).

The mission's report gave a number of recommendations that if put in place would revamp the country's financial system. These included legal, judicial and institutional improvements to eliminate the hindrances towards credit lending. The country's financial system had to be both expanded and developed (Bank of Tanzania, 2011).

The recommendations under The IMF/World Bank Commission were specifically aimed towards improving the financial institutions that were under government supervision. While the privatisation of these financial institutions had to be finalised, legal and judicial reforms had to be put in place in order to eliminate obstacles to credit lending. There also had to be improvements in the financial services accessibility that would both promote microfinance and create credit lending archives; insurance business firms and pension funds had to be able to liberate and develop long term investment plans. Finally, commercial

banks with improved regulations, policies, supervision and crisis readiness and support by the government were needed to boost the country's economic development (Bank of Tanzania, 2011).

2.9 DEVELOPMENT OF THE TANZANIAN BANKING INDUSTRY

The development of the Tanzanian banking industry can be described in three main stages. These were (i) the colonial era and the period prior to the Arusha Declaration of 1967; (ii) the Post Arusha Declaration and the period before 1991; and (iii) the period after 1991 (Bank of Tanzania, 2011).

2.10 THE SECOND GENERATION FINANCIAL SECTOR REFORMS

The government of Tanzania appointed a committee to review the recommendations of the joint IMF/World Bank FSAP report and to oversee the implementation process. This committee, chaired by the governor of the Bank of Tanzania, established a way forward towards the implementation of the recommendations in the report. The implementation process took place from 2006 to 2011 and was later recognised as the Second Generation Financial Sector Reforms (SGFSRs). The SGFSRs partners agreed to give technical support on the specific areas where they possessed technical know-how (Bank of Tanzania, 2011).

The implementation of the SGFSR concentrated mainly on the following nine areas:

(1) improving the monetary policy framework and the legal and regulatory infrastructure that would enhance the accessibility of financial services and lead to a better credit lending atmosphere and an efficient legal and judicial set up;

(2) improving the supervisory function to ensure a well organised and sound financial system;

(3) developing financial markets with vibrant primary and secondary markets reinforced by suitable and secure settlement systems as well as a stock exchange with differentiated instruments and investors;

(4) promoting an efficient and competitive pension sector responsive to market demand and supported by appropriate legal and regulatory structures;

(5) promoting an efficient, sound and competitive insurance industry that had different products and services, a broader outreach, and market based investment policies;

(6) founding and promoting a feasible and sustainable microfinance industry with a broader outreach and operated in an enabling legal and regulatory environment;

(7) putting in place suitable labour laws and labour relations rules that were in line with international best practices that supported financial sector development;

(8) introducing and promoting a well organised and harmonious legal and judicial set up for collateralisation of land and the settlement of land disputes; and

(9) formulating a policy framework and legal infrastructure that would provide long-term development financing services (LTDF) with the aim of addressing the current gaps in the provision of long-term

credit to productive sectors (Simpasa, 2011, Bank of Tanzania, 2011).

The SGFSR prospered in forming and promoting a feasible and sustainable microfinance sector that has a broader outreach and is operational in an appropriate legal and regulatory setting. These reforms succeeded in establishing suitable labour laws and labour relations policies in line with international best practice to support financial sector development. The reforms also introduced and promoted a well-organised legal and judicial set-up for both collateralising and settling land disputes (Simpasa, 2011; Bank of Tanzania, 2011).

The fundamental objectives were to reinforce the mechanism that would settle land disputes, formulate land registries at both district and village levels, reinforce the land registry and means of land searching, ensure harmony on all regulations that are associated with land matters and formulate a policy framework and legal set-up that would ensure long-term development financing facilities (LTDF) with the aim of resolving the current constraints on providing long term credit to development sectors (Simpasa, 2011; Bank of Tanzania, 2011).

2.11 TANZANIA'S BANKING INDUSTRY OVERVIEW

Based on the Bank of Tanzania's records, there were 45 institutions in the banking industry, of which eight could be categorised as large banks, 19 as medium banks, 14 as regional and small banks and three as non-bank financial institutions. The banking industry's balance sheet kept on growing, with total assets growing by 16 percent (26 percent in 2010). This increase was brought

about by cash and bank deposits with the Bank of Tanzania which increased by 34 percent (18 percent in 2010) and credits and advances which grew by 29 percent (21 percent in 2010) (Ernest & Young, 2011).

Net interest increased by 25 percent in 2011. This increase was brought about by 23 percent growth in interest income which grew more quickly than interest expense, which increased by only 14 percent. The figure for bad debts declined by 13 percent in 2011 compared to 40 percent in 2010. Non-interest income increased by 9 percent (35 percent in 2010) and non-interest costs increased by 22 percent (17 percent in 2010) (Ernest & Young, 2011).

The ratio of credits and advances grew to 49.7 percent of total assets in 2011, up from 44 percent in 2010. Earning assets declined to 78.6 percent of total assets, from 80.3 percent in 2010. Gross loans were 64.1 percent more than deposits as compared to 57.6 percent in 2010. Despite the increase, the sector's loan deposits ratio still remained below the threshold point of 80 percent as recommended by the Bank of Tanzania. Non-interest expense to interest income has been showing an increase in the past five years to 83 percent in 2011, while in 2007, it was 57.9 percent, interest margin grew to 77.8 percent of which it was 76.1 percent in 2010, interest to average earning assets has increased to 7.6 percent from 7.3 percent which was recorded in 2010, net interest margin continued to be 12.8 percent and total expenses to interest income fell to 105.2 percent, as it was 106.5 percent in 2010 (Ernest & Young, 2011).

According to Ernest and Young (2011) all the registered commercial banks managed to report profits in their financial statements for 2011, with the exception of only 11 institutions which made losses before and after tax deductions, two of which were new in the industry in 2011.

In terms of market share, the industry is still dominated by three banks, the Federal Bank of the Middle East, CRDB and National Microfinance Bank which between them are estimated to have assets equal to 48 percent of the total sector's assets, the same as in 2010 (Serengeti Advisers, 2012). This is common in African banking industries, as the financial sectors tend to be highly concentrated with few larger banks despite financial sector reform programmes (Fosu, 2013; Hassan, Sanchez, Ngene & Ashraf, 2012; Florian, 2012; Pastory & Moshi, 2014).

The next seven largest banks had combined assets equal to 33 percent of the sector's total assets and the remaining 35 banks had assets equal to 19 percent of the industry's total assets. The three largest banks had more than half of the sector's deposits and government securities in 2011. However, this percentage fell after they lost their market share, which dropped from 54 percent to 42 percent, and their number of employees, who left for the 35 smaller banks, fell from 50 percent to 38 percent. These smaller banks also managed to increase their market share of the sector's total capital from 19 percent to 26 percent and credits from 20 percent to 23 percent (Serengeti Advisers, 2012).

2.12 COMPETITION AMONG BANKS IN TANZANIA

Commercial banks contribute significantly to the country's economic development. Their involvement in the country's economy comes in the form of the size of their customer base, the total savings with these banks and the total loans to different development sectors in a particular country. The banks can act as insurance against any form of risk that may face the country financially, economically or politically. In addition, the intermediary function of these banks cannot be understated. That is, these banks act as the economic backbone for

the country. Based on the role of the banks in the country's economy, it is of paramount importance for the government to institute financial reform programmes that would be geared towards enhancing competition (Xeuzhi & Dickson, 2011).

Enhancing competitiveness among banks was one of the sectoral reforms that were implemented by the countries in the Sub Saharan region in the last three decades with a view to improving the performance of their commercial banking activities. For instance, interest rate controls in Kenya, Ghana and Tanzania and directed lending in Uganda were all replaced with open market operations. Other reforms were on the privatisation of the underperforming commercial banks which were basically state-owned banks (Fosu, 2013; Florian, 2012; Doku, Abor, Adjasi & Andoh, 2012).

Despite the progressive increase in the number of commercial banks in Africa, there have been efforts to ensure financial stability through recapitalisation programmes in different countries in Africa which have all been aimed at enhancing their banks' capital structure. These recapitatlisation programmes have kept the African banking industries highly concentrated despite the banking industries' growth (Pastory & Moshi, 2014; Fosu, 2013; Florian, 2012).

Arai and Yoshino (2000) conceptualised bank competitiveness in the four areas of efficiency, size, information and communication technology and resource management. From these four areas a comparative analysis can be carried out between banks to assess their competitive strength against each another. For example, Hauswald and Marquez (2006) gave their assessment of a bank's competitiveness based on its ability in applying better information and communication technology. Their argument was based on the fact that better technology would lead to faster processing of all types of information and at a

lower cost. This is relevant in the Tanzanian context where service innovation is included in the study to see how technological innovations such as the application of ATM machines would foster customer satisfaction and enhance the bank's reputation.

Givi, Ebrahimi, Nasrabadi and Safari (2010), examined a bank's competitiveness based on its financial strength, customer base, human resources, international financial transactions and the application of information and communication technology.

The Tanzanian financial system has undergone major changes in the policies and regulations which largely shaped the banks' operations. These include several structural adjustment programmes that were geared towards ensuring the entry of foreign banks in to Tanzania, whose presence would lead to growth and the enhancement of competition among banks in the country (Sanya & Gaertner, 2012). For example, in 1994 the World Bank Report showed how the deregulation of the country's exchange system and interest rates, as well as both fiscal and monetary control by the bank of Tanzania were instituted to enhance competition and led to the growth of the country's banking system. In addition, in order for the country to improve its financial system, the bank of Tanzania had to oversee the implementation of a three phase financial reform programme directed towards improving the level of competition in Tanzania (BOT, 2011). This can be theoretically supported by the studies of Florian, 2012; Fosu, 2013; Hassan, Sanchez, Ngene and Ashraf, 2012; as well as Doku, Abor, Adjasi and Andoh, 2012, who contend that financial reform programmes have a significant role to play in enhancing competition in a country's banking industry. The reforms were particularly necessary in the Tanzanian context as formerly state-owned banks were not forced to ensure favourable customers' service experience. After the reforms and the entry of a number of foreign banks, however, banks strive nowadays to meet customer service expectations.

Recently, the concept of competition in the banking sector has attracted a great deal of attention as it tends to force commercial banks to keep on improving their service and product innovations and to minimize the operational charges that would otherwise be incurred by customers (Berger, Demirguc-kunt & Levine, 2004; Hassan, Sanchez, Ngene & Ashraf, 2012). At the same time, as the number of commercial banks increases, the competitive pressure forces them to do more saving and investment (Matutes & Vives, 2000). This is born out in Tanzania, where the entry of commercial banks led to an annual increase in the banks' overall profits. Banks became more innovative in terms of the services offered to customers, and invested in research and development and product innovation that paid off (Pastory & Moshi, 2014). That is why a comparative study between foreign and local banks has been relevant in the Tanzanian context so as to ascertain which group of banks has been ahead of the other in terms of innovative service offerings. Better and more affordable service offerings influence customer satisfaction and subsequently influence a bank's reputation.

This is in line with the argument given by Hassan, Sanchez, Ngene and Ashraf (2012) and Florian (2012), that the foreign bank entry as facilitated by financial liberalisation has a significant influence on the local banks' operating efficiency, capitalisation, risk management, long term financial soundness, overall financial performance as well as their economic and financial growth.

It is clear that the entry of foreign banks in the Tanzanian banking industry has resulted in an increase in the competitive pressure between banks operating in the industry. This can be seen on the differences and similarities of the business strategies executed by these banks to enhance their customers' service experience. This has therefore made Tanzania an appropriate research ground for a comparative study between local and foreign banks to examine

how customers' cultural orientations influence their perceptions of a bank's service performance and how this influences customer satisfaction and the bank's reputation.

2.13 CONCLUDING REMARKS

This chapter covered an evaluation of the Tanzanian banking industry both before and after independence. The Arusha Declaration, which is considered to be the country's socialist movement, was also explored and its significant influence on the growth of the country's banking industry was critically analysed. The financial reforms that led to the entry of foreign banks in the Tanzanian banking industry, and how they had an influence on the ways banks do business, was also explored. The subsequent chapter, the literature exposition, includes the conceptualisation of the constructs investigated.

CHAPTER 3
LITERATURE REVIEW

3.1 INTRODUCTION

This chapter reviews the literature pertaining to cultural orientations and service performance and their effect on customer satisfaction and corporate reputation. The conceptualisation of service performance and its relationship with customer satisfaction and corporate reputation is described. This was done with a view to using relevant measures to conduct a comparative analysis between local and foreign banks in the Tanzanian banking industry. In addition, based on the literature exposition, hypotheses were developed. Finally, the role of culture in customers' perceptions of service performance as found in the literature is also described.

3.2 ELEMENTS OF SERVICE PERFORMANCE

Based on existing literature, service performance plays a fundamental role in meeting customers' expectations and hence ensuring their satisfaction. In this study service performance is considered as an expanded model of service delivery at a higher order level, consisting of service quality, service innovation and facilities for distributing cash. This conceptualisation is examined by looking at two of its important features: the service climate that surrounds a particular business firm and the human aspect, which throughout the entire process of service delivery is responsible to the target group, the customers (Hui & Achia, 2004).

With increasing competitive pressure in the banking business marketplace, the research focus of this study has been on factors contributing to favourable customer outcomes. Service personnel who are responsible for delivering services to the customers have a significant role to play in ensuring that a business organisation meets or exceeds customers' expectations, hence guaranteeing its survival (Hui & Aichia, 2004). That is why both local and foreign banks in the Tanzanian banking industry have been regarding customer service management as the crucial business strategy for retaining existing customers and also attracting new customers and thereby expanding their market share.

Improving customer perceptions of service performance has therefore become a fundamental goal of many business firms. When customers perceive that a business firm's service offering is doing well in the market, then a chain of events starts to unfold that eventually increases the profits generated by the service firm (Kamakura, Mittal, de Rosa & Mazzon, 2002). Moreover, there is research evidence linking customer perceptions of service delivered directly to significant customer loyalty outcomes such as support intention, increased repeat purchases, and spreading positive views by word-of-mouth (Keiningham, Perkins-Munn, & Evans, 2003). As these favourable customer outcomes become widespread, they tend to strengthen the firm's overall business performance. The relationship between a firm's service performance and customer loyalty as one aspect of corporate reputation is therefore of vital importance in justifying a firm's financial investments in overall service improvement. In Tanzania, both local and foreign banks have been striving to meet customers' expectations on service delivery so that satisfied customers may act as ambassadors to other potential customers, and to retain current customers.

3.3 FEATURES OF SERVICES AND THE CHALLENGES POSED TO A SERVICE FIRM

According to Ghobadian, Speller and Jones (1993), the following are the salient features of services and the challenges that these features impose on service providers:

- ***Inseparability***

This feature indicates that services are produced and consumed simultaneously (Cowell, 1988). This means that both the customer and the service provider are integrated in the service process (Lovelock, 1983). The biggest challenge here is that the conversion process of providing service is consumed in the act of delivering the service. Service delivery and its simultaneous consumption can be seen by the customer and therefore it becomes next to impossible to hide the mistakes that might occur during the process. Furthermore, the participation of the customer in the service delivery process also poses another challenge as the service provider has no direct control because the attitude of the customer plays a vital role in the overall perception of service quality (Ghobadian, *et al*., 1993). Due to fierce competition in the Tanzanian banking industry, to avoid losing customers, banks have been constantly training their employees in customer service management so that they are able to deliver services that meet the expectations of their customers.

- ***Intangibility***

Services can be described as intangible. This means that they cannot be easily described and the customer cannot ascertain their probable qualities; they cannot be seen, felt, heard, smelt or touched prior to a transaction. Customers

therefore tend to evaluate services beforehand based on word-of-mouth from other customers or a firm's reputation or service accessibility or physical tangibles. Intangibility creates pressure on service firms to deliver expected service standards to the customers as advertised, right the first time, as in a competitive business environment there is no second chance to make a first impression (Ghobadian, *et al*., 1993). Tanzanian banks put enormous pressure on front line service employees as they give potential customers a tangible indication of service standards.

- ***Perishability***

This feature means that services cannot be produced in advance and then stored for future use (Johne & Storey, 1998). It is allied to inseparability, meaning that production and consumption of services must be done at the same time. The biggest challenge here for the service firm is that there is no final quality check for the services – no dress-rehearsal – and therefore the service provider has to get the service right, first time and every time (Ghobadian, *et al*., 1993).

- ***Heterogeneity***

This feature implies that service firms may not be able to reproduce services with unvarying consistency. Service delivery may differ according to time or to service employee or customer perceptions (Cowell, 1988; Zeithaml *et al*., 1985). However, service firms should always try to offer standardised services so as to minimize customers' uncertainties (Maister & Lovelock, 1982). The following factors contribute to service heterogeneity:

- Firstly, as both the customer and the service provider are involved during the service delivery process, the behaviour of each has an influence on the service being delivered. It is not easy to ensure consistency in their behaviour, and as a result standardisation

becomes difficult. What the service firm is advertising may be quite different to what the customer receives.

- Secondly, accurate service delivery depends largely on the ability of the customer to explain his or her service expectations. This in turn is influenced by the ability of the service employee to understand what the customer is saying.
- Thirdly, customers may differ in their service expectations.
- Finally, customers' priorities and expectations may change during the process of service delivery (Ghobadian, *et al*., 1993).

3.4 SERVICE QUALITY AND SERVICE QUALITY DIMENSIONS

In today's intensive global business environments, business firms are forced to make sure that excellent quality service is both maintained and made sustainable to ensure survival. If a business firm delivers high quality service to its customers, it will be able to meet their expectations, which will lead to their satisfaction. Customer satisfaction has attracted a great deal of attention from both practitioners and researchers as it has been closely associated with favourable post-purchase behaviour such as making repeat purchases and spreading a positive opinion by word-of-mouth to other potential customers (Ryu & Han, 2010).

This business notion becomes even more relevant in a service industry. For a service firm to be successful, everything that the firm does should be centered on the customer. In the banking industry, for example, for a bank to retain its customers it has become imperative for it to identify key factors that play a role in meeting customer expectations and achieving customer satisfaction (Mengi, 2009). This business approach has become even more relevant in the

Tanzanian banking industry where stiff competition among banks has become so intense.

Hence, according to Yayla, Kaya and Erkmen (2005), it is obligatory for a service firm to identify and capitalise on service quality dimensions in order to create and retain satisfied customers, enjoy a competitive advantage and ensure its survival in the industry.

The shift in the strategic focus of business firms has also been implemented by banks in Tanzania. This shift from doing customers a favour to meeting customers' expectations has been due to the increase in competitive pressure from customers who have become ever more demanding. Customers are nowadays aware of their rights in terms of deserved service standards. Taking into consideration the ease with which they can switch between banks, it becomes imperative for them to offer better services so as to enjoy strategic benefits such as an expansion of their market share.

The consensus in research on the concept of service quality is that it is associated with customers' subjective evaluation of service delivery and the number of market offerings that a particular firm offers (Parasuraman, 2000). There is no consensus on the generic dimensions of service quality, however, with the following questions still unaddressed:

(i) a common understanding on the determinants of service quality when applied to different types of services (a domain specific focus) and to context specific service industries;

(ii) features of the determinants of service quality and service performance; and

(iii) whether the service features are expected to be seen during the whole process of service delivery (Pal & Choudhury, 2009).

Previous studies managed to demonstrate that service quality results in higher levels of customer satisfaction which leads to repeat purchases, thereby improving a firm's financial performance. It is therefore important that business managers have to clearly understand the role of service quality and its fundamental determinants in attracting and keeping customers (Korda & Boris, 2010).

The role of service quality in the banking industry is widely acknowledged to be of the utmost importance because of the ease with which customers can switch between banks to look for better services. Since most of the commercial banks in Tanzania have almost undifferentiated market offerings, it becomes the task of bank managers to ensure high quality service delivery as a means of making themselves unique in the industry (Olaleke, 2010).

Available theoretical literature shows that the concept of service quality cannot be considered as a single measurement. Instead, this construct has multiple dimensions, for example how reliable a particular service delivery is, the physical facilities of the service firm, service personnel readiness to respond to customers' queries, how friendly the service personnel are and their understanding and politeness (Korda & Boris, 2010).

Early conceptualisations of service quality support Oliver's (1980) disconfirmation model. According to Oliver (1980), service quality has a role to play in ensuring that consumers' anticipations about a particular service delivery are either met or exceeded so as to ensure repeat purchases, which is a sign of

customer loyalty. This idea was cemented by the study of Grönroos (1984) which states that the outcome of service quality is realised after the customer's evaluation process, in which the customer compares expectations and service performance.

Parasuraman, Zeithaml and Berry (1985) conceptualise service quality as a difference that emerges between customers' service anticipations and the actual performance of the service. According to Parasuraman, *et al.,* (1988) service quality resides in the customer's total experience during service delivery, when he or she judges the actual service performance against his or her expectations.

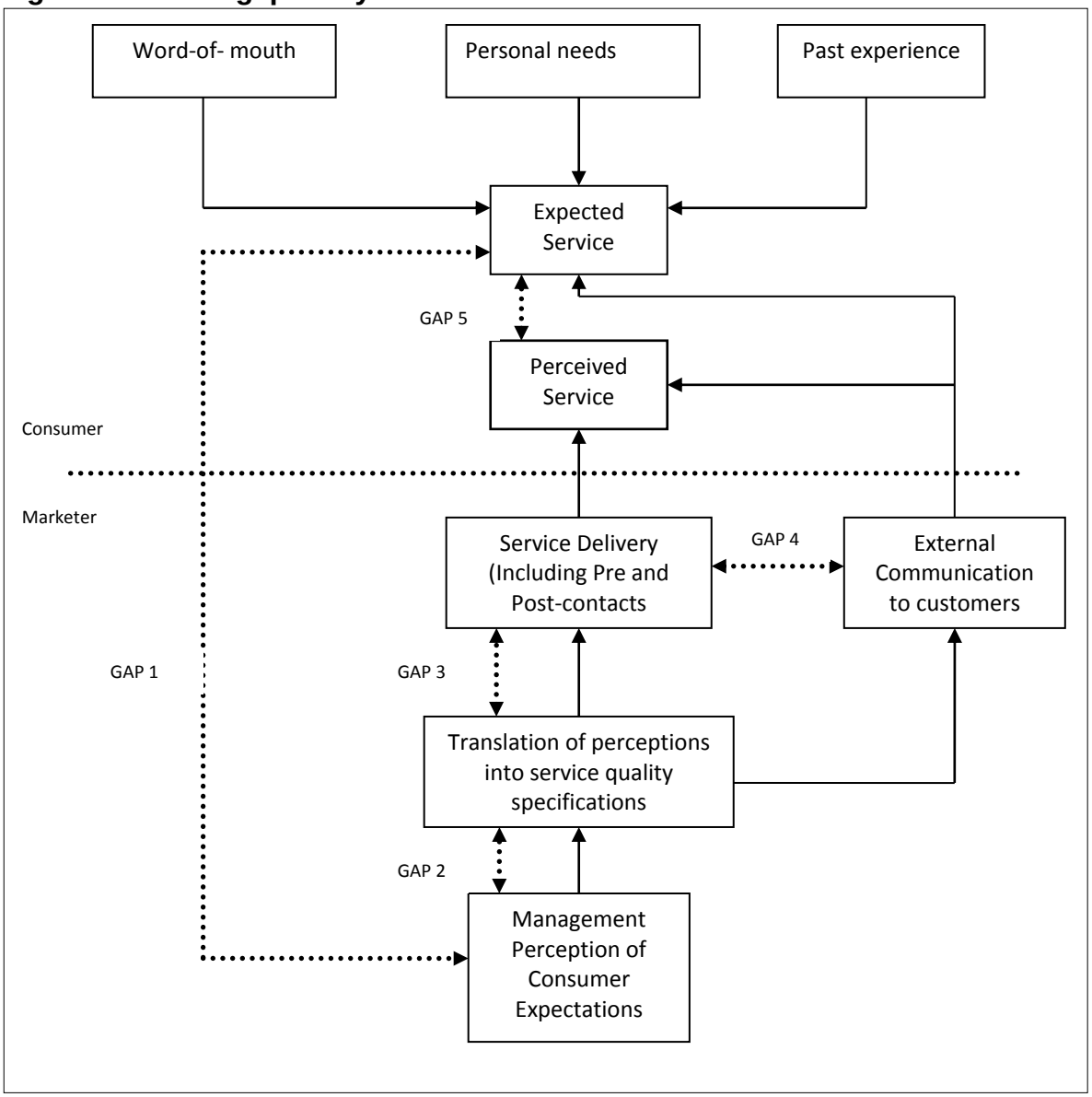
In line with what Parasuraman, *et al.* (1985) posit, Tanzanian bank customers tend to have certain expectation levels before using a particular service. After using these banks' services, the customers tend to compare what they expected with what these banks actually delivered. If the customers' expectations are lower than the bank's actual service performance, they will stay loyal to the bank, but when the bank's service performance is lower than the customer's expectations, they tend to switch to a competitor. This is possible in Tanzania now that there are a number of commercial banks operating in the Tanzanian banking industry and therefore customers are able to shop around for better services. The expectation-performance model supports the Parasuraman gap analysis model depicted in Figure 3.1.

In that model, Gap 5 represents the service quality that is being delivered by the business firms. This model has been useful in explaining the expectation-performance measurement model that is experienced by customers during the process of service delivery (Parasuraman, *et al.*, 1985).

In Figure 3.1, service quality is conceptualised as the gap between services delivered and the expected service. From this perspective, customers tend to perceive a particular service to be inferior if the service performance is below the expected service (Beerli, Martin & Quintana, 2005). Service quality in the firm's business performance is vital because customers are always after value for money, a feeling that is generated when service performance is higher than service expected. Conversely, if service performance is lower than service expected; customers may switch to another service provider (Uppal & Mishra, 2011).

Moreover, past studies have found that service quality largely influences customers' attitudes which are closely related to overall customer satisfaction; while customer satisfaction is generated by a comparative analysis between service performance and service expectation (Lee, 2010).

Figure 3.1: The gap analysis model



Source: Parasuraman, *et al,* (1985)

The SERVQUAL measure has been found to be reliable and valid, and has been successfully applied in various service industries such as healthcare, retail banking, financial services and education (Olaleke, 2010). Although the measurement instrument has proved to be useful, it is acknowledged to require refinement when applied in different types of service industries, and contextual adaptations need to be considered (Jun & Cai, 2001). However, the SERVQUAL measure remains an appropriate scale as a guideline in cross-

sectional studies of the performance of service industries (Fitzsimmons & Fitzsimmons, 1994).

There has been criticism in the literature of the disconfirmation approach. It has been argued that a performance-only measure or direct-effect model (Page & Spreng, 2002) tends to give results that are more valid and reliable. In addition there is theoretical support that a performance-only model is more effective than the disconfirmation model in explaining variance (Babakus & Boller, 1992, Dabholkar, *et al.,* 1995).

According to Dabholkar, *et al.,* (1995), perception measures have been seen as having higher predictive and explanatory power and as being better indicators of customer evaluation and intention. In addition, Dabholkar *et al.,* (1995) note that perception could allow an understanding of service quality evaluations at the factor level, and assert that all dimensions are antecedents rather than components.

Based on the study by Page and Spreng (2002), a perception-based measure gives research outputs that are more valid, reliable and defensible of customers' perceptions of service quality.

For researchers, a performance-only measure means that detailed service quality studies can be both simpler and more efficient (Dabholkar, *et al.,* 1995). According to this argument, service quality is defined as the overall evaluation of service performance. This argument is similar to the definition of service quality by Parasuraman, Zeithaml and Berry (1988), who explain that a firm's service delivery could be determined by the superiority and excellence of its performance during delivery. However, there are still arguments that a firms'

overall service quality may exhibit different meanings to different people due to its multi-dimensionality (Dabholkar, *et al.,* 1995; Brady & Cronin, 2001).

Therefore, in this study, the notion of a performance-only measure is accepted, and service quality is taken to be a customer's overall post purchase evaluation after using a particular service.

3.5 THE ROLE OF SERVICE QUALITY IN THE FIRM'S PERFORMANCE

Based on the empirical analysis of the Profit Impact of Marketing Strategy (PIMS) database, the findings show a link between a firm's perceived quality and its profitability performance (Buzzel & Gale, 1987). Firms with high quality goods and services succeeded in having a wider market share, high profits and high asset turnover compared with firms with perceived low quality goods and services.

That being the case, service quality if well implemented is an important factor in ensuring a firm's competitive edge. With service quality in place, service firms can assert their uniqueness against competing service firms, eventually ensuring them a sustainable competitive advantage (Lewis, 1989). This is also true in the Tanzanian context, where banks that are able to enhance the quality of their service delivery will improve their profit-making due to improved customer retention. This is cost saving from a marketing perspective, since it reduces the pressure to attract new customers, the cost of which is significantly higher than the cost of retaining existing customers (Blattberg, Malthouse & Neslin, 2009).

In order to be contextually relevant and able to obtain a true reflection of the realities of Tanzanian banking industry, this literature study includes service innovation and cash distribution as additional dimensions of service performance.

3.6 SERVICE INNOVATION

Service innovation creates uniqueness in a business industry. It is seen as the means for service firms to create unique service offerings that may turn out to be the firm's core offerings and in the end determines its survival. The production and consumption of services tend to be simultaneous. However, this concept tends to become irrelevant due to technological advances that allow services to be produced and consumed at different times (Berry, Shankar, Parish, Cadwallader & Dotzel, 2006). However, due to the fact that most banks' services in Tanzania are produced and consumed simultaneously, Tanzanian commercial banks have trained their employees to understand that favourable post-purchase experiences after a service encounter between the employee and a customer play a significant role in determining customers' attitudes.

Innovativeness requires a business firm to identify the needs and wants of target customers continuously while ensuring the efficient and effective delivery of services. Successful innovation ensures superior performance, satisfied customers, an expansion of market share and increased profitability. The ability for a service firm to be service innovative requires superior market sensing and customer linking capabilities (Agarwal, Erramilli & Dev, 2003).

Service innovativeness may take one of two different forms: service firms can continuously develop new service offerings or they can improve existing ones.

The degree of service firms' innovations will enhance their performance (Agarwal, Erramilli & Dev, 2003; Bitner, Ostrom, & Morgan, 2008). This is also true of the Tanzanian banking industry, where both foreign and local banks continuously try to introduce new services so as to create favourable perceptions of their services which will lead to customer satisfaction and enhance their reputation.

According to Jun and Cai (2001) bank charges such as interest on loans or service charges on fixed deposits play a fundamental role in meeting customer satisfaction. When banks charge extremely high prices on their service offerings, customers often respond by suspecting that these banks are not there to serve them. Therefore, when increasing prices on services, bank managers should be able to convince customers that they will get value for money. For instance in Tanzania, where price has been used by the banks as their most important business strategy, they have been trying to keep their interest charges on loans as low as possible so as to attract as many customers as possible and to retain existing ones.

According to Agarwal, Erramilli and Dev (2003) a service firm which is trying to be market oriented will always tend to be innovative in its service offerings in order to ensure superior performance and give their customers value for money (Narver & Slater, 1990). Service firms that develop new services or improve existing ones so as to meet customers' expectations will succeed in satisfying them (Slater & Narver, 1995).

Based on the above clarifications it is therefore hypothesized that:

H1a: There is a positive relationship between service innovation and customer satisfaction for both local and foreign banks.

H1b: There is a difference in the strength of the relationship between service innovation and customer satisfaction for local and foreign banks.

3.7 FACILITIES FOR CASH DISTRIBUTION

According to Jun and Cai (2001), improving cash distribution and introducing new services are often aimed at meeting or exceeding customers' expectations and resulting in their satisfaction. The cash distribution dimension relates to practical aspects of service delivery, and comprises the number and convenience of ATMs that are used to increase the bank's distribution network. The service innovation dimension includes things like the bank's service access, its physical access and its overall service innovativeness (Jun & Cai, 2001).

For example, according to Moguluwa and Ode (2013), technological advances involving ATMs and telephone and internet services play a fundamental role in meeting customers' expectations. These technologies are very important in determining customer satisfaction as they reduce bureaucracy, increase convenience, speed up the process of service delivery and eliminate long queues. Queuing is a harsh reality of the banking experience in Tanzania. Customers have been switching from banks (mainly local) with very long queues to banks which seem to have shorter queues or no queues at all. Therefore, in order to prevent long queues and ensure their competitive position in the industry, these (local) banks have attempted to improve their technology and also opened up as many branches as possible in order to enhance service distribution and thereby offer customers more options in terms of the outlets that they can access.

Technological advances have a number of advantages in current competitive business environments which make it possible for the firms operating in these

environments to deliver satisfactory services to their customers (Patricio, Fisk & Cunha, 2003).

Patricio, *et al*., (2003) argue that the availability of service distribution channels influences customer satisfaction as customers tend to select a channel which seems to be convenient and easily accessed. Automated teller machines also meet customers' expectations and hence provide satisfaction as they also act as channels of service distribution. In Tanzania the availability of funds has been improved by banks offering automated teller machines as a means to access cash. According to Moguluwa and Ode (2013), there is a close link between customer satisfaction and the accessibility of automated teller machines.

3.8 CUSTOMER SATISFACTION

In current business situations which are characterised by well-developed and stiff business competition, several business organisations tend to put their strategic focus on both retaining customers and also expanding their customer base. This change of focus has been strongly influenced by service firms operating in financial industries where the loosening up of restrictions has created an environment that is conducive for customers to shop around for better services. Retail banks have responded to this competitive pressure by making sure that excellent service performance is a priority and by gearing their business focus towards satisfying customers and enhancing their loyalty (Korda & Boris, 2010).

The move towards ensuring customer satisfaction has been precipitated largely by the difficulties that these commercial banks face in creating service offering

uniqueness which would create a market niche for them to prosper. Basically, consumers see almost no difference in the service offerings provided by different banks, because whenever a new service is introduced in the industry, it is quickly copied by rivals (Olaleke, 2010). In the Tanzanian banking industry banks tend to copy business strategies from their competitors if they think this might work in their favour.

Previous studies supported the relationship between service firms' achievement of business success and customer satisfaction in several industries. Satisfied customers tend to generate stable revenue for the firm and hence improve its overall profit performance (Van & Lee, 2012). In a service industry, the employee-customer encounter is the moment of truth that defines the firm's service performance. If it is not properly handled, a dissatisfied customer may spread an unfavourable report, damage the firm's reputation and turn away potential customers.

The term customer satisfaction means different things in different contexts as the concept is entirely dependent on the customer's personal assessment of the post-purchase service experience. Different customer groups from different backgrounds tend to assess their post-purchase experiences differently, depending on the circumstances prevailing during the service encounter, and they may have different satisfaction levels even if this subjective assessment was carried out in a similar service environment (Pizam & Ellis, 1999).

Everyone is familiar with the idea of customer satisfaction, but its use may invoke different understandings to people worldwide (Oliver, 1997). To some, this concept implies the lowest level that is acceptable to the customer, while to others, customer satisfaction indicates the attainment of perfection. This precludes a clear and precise definition of customer satisfaction. In addition, it is

difficult to obtain a proper understanding of the processes in a human mind during a particular service encounter (Oliver, 1997). The questions remain: What criteria are applied in examining this service experience? Which aspects of the service offering are prioritised? How do they differ in different contexts?

Apart from the meaning of customer satisfaction based on the job completed, which includes post-purchase service evaluations, there are other views of customer satisfaction as examined during the actual process of delivering services to the customers (Pizam & Ellis, 1999). This definition of customer satisfaction gives special emphasis to service performance as assessed by different psychological processes going through a customer's mind during the service delivery process (Jones & Suh, 2000).

According to Oh and Parks (1997), there have been controversies in establishing an understanding of whether customer satisfaction is associated with mental assessment or with feelings. Some studies ascribe customer satisfaction to the mental assessment of the service experience whereas other authors contend that feeling satisfied may involve more than a subjective assessment generated by mental processes.

Finally, certain studies advance the expectancy-disconfirmation theory on customer satisfaction. This theory proposes that when customers are about to make their purchase decisions they usually anticipate the outcome. This normally involves a comparison of the situation before and after making the purchase. When the anticipated post-purchase experience matches customers' expectations, then confirmation is attained. Disconfirmation occurs when the anticipated post-purchase experience does not match the customer's anticipations. Negative disconfirmation occurs when a customer's post-purchase experiences fall below expectations, while positive disconfirmation is

established when post-purchase experiences exceed expectations. A positive disconfirmation produces customer satisfaction whereas a negative disconfirmation is associated with customer dissatisfaction (Pizam & Ellis, 1999).

3.9 CORPORATE REPUTATION

Recent studies of the factors that affect corporate success have been showing a growing interest in the intangible assets of an organisation. Corporate reputation is one of those intangible assets that can be extremely difficult to be imitated by competitors; and therefore business firms can use corporate reputation as a valuable source of competitive advantage (Markus & Manfred, 2005).

Service firms that play a fundamental role in delivering specialised services have been constantly directing their efforts towards improving their corporate reputation as perceived by their customers (Walsh & Beatty, 2007). These efforts to improve and maintain corporate reputation also go as far as to influence other business organisations which have become aware that a favourable corporate reputation is associated with improved financial performance.

The essence of ensuring a positive corporate reputation is that reputation is associated with business performance. Performance results could be in terms of customers' purchase intentions, customers' behaviour to sales personnel and the quality of firms' products and services (Brown, 1995). Moreover, customers' perceptions of a firm's product quality could do any or all of the following:

- discourage new entrants in the market (Weigelt & Camerer, 1988);
- establish differences in business performance (Rao, 1994);
- entice new business investors as well as strengthen the firm's ability to outwit competitors (Fombrun & Shanley, 1990);
- make it possible for business firms to be easily identified as a good employer while at the same time boosting the spirit of cooperation within an organisation (Dutton, Dukerich & Harquail, 1994).

The literature on strategic management views corporate reputation as an invisible business advantage, which if properly implemented could lead to the enhancement of the organisation's competitive position in a particular industry (Dowling, 2004). Based on the assessment of the firm's available resource status, corporate reputation may be considered as an important business asset that should be given special attention by senior managers in the organisation (Dowling, 2004). Fombrun and Shanley (1990) therefore make it clear that a firm's reputation should be taken as a contributing factor in its performance. Managers should therefore be able to use this business asset in establishing long term relationships with their customers (Mahon, 2002).

A firm's corporate reputation originates from favourable perceptions of customers towards it, which in turn tends to influence other potential customers by giving them a positive feeling about the organisation and what it offers. Previous studies have been able to link corporate reputation with three main business themes, which are (1) quality management (2) business expenses management and (3) barriers to new entrants in the industry (Fombrun, 2001).

Business strategy is the set of choices a firm considers suitable for attaining its business objectives. These objectives focus on creating value for customers. The reputation of a firm develops as a result of current business operations and

previous business performance in ensuring customer value (Basdeo, Smith, Grimm, Rindova & Derfus, 2006). In addition, a favourable reputation assists in enhancing a firm's competitive advantage (Obloj & Capron, 2011).

In this way, a firm's reputation usually gives a signal to both internal and external stakeholders of the firm's overall internal and external business status. Here it means that a firm's reputation tends to provide assurance to all internal and external stakeholders about the strategic business path that the business is likely to follow (Dowling & Moran, 2012).

Previous researchers suggest that a firms' reputation is most valuable in business industries that tend to be volatile. In these business environments, managers tend to struggle to make strategic decisions that distinguish them from their competitors. Moreover, business firms that fail to create uniqueness tend to lack conviction regarding their future business operations. To avoid this, business managers should use reputation to assure their customers of the ways that the firm will use to create future value (Agarwal, Ganco, & Ziedonis, 2009).

3.9.1 Customer Based Corporate Reputation

Conceptualisations of the construct of reputation have been linked to the customers' post purchase experiences. These experiences are those that a customer has either experienced or heard about from another customer (Herbig & Milewicz, 1993).

According to Walsh and Beatty (2007), customer based corporate reputation comprises the following five important dimensions that define the construct:

- Customers' perceptions of the business firm's employee capability; customers tend to evaluate employee competence in the whole process of delivering services.
- A business firm's service reliability and financial strength; this dimension examines a firm's overall competence in meeting customers' expectations, including both employee and customer solidarity and profit generated.
- The extent of the customers' expectations in terms of the business firm's financial viability that would ultimately reduce risks for customers wanting to invest in the company;
- The product and service quality of the business;
- Lastly, business firms' responsibility to the surrounding societies can be examined by the extent to which firms are attempting to be both socially and environmentally responsible.

These dimensions were adopted to compare corporate reputation across the two groups of banks compared in this study, namely the local and foreign banks operating in the Tanzanian banking industry.

When customer satisfaction is conceptualised as customers' attitudes after making a purchase, corporate reputation has been viewed by many authors to be a combination of the buyers' post purchase experiences that emanate from the employee-customer service encounter during service delivery, as well as customers' perceptions of the firm's reputation.

Customers' subjective assessment of the employee-customer service encounter plays a significant role in determining expectations regarding service standards. Business firms should therefore strive to deliver goods and services of the desired standard with reliability and decency. If this focus is well implemented,

the firm could expect to minimise operational expenses, funds that could be used in attracting and retaining customers. By thus enhancing customer loyalty, a firm succeeds in putting barriers to new entrants in the market (Rose & Thomsen, 2004).

A business organisation's reputation can be taken as indicating customers' pre and post purchase experiences (Fombrun, 2001). Due to different customers having different experiences, a firm's reputation tends to be a multi-dimensional construct so as to accommodate a variety of customer attitudes (Wartick, 2002). That being the case, different dimensions of corporate reputation may be generated from different customer groups, who may apply different standards in assessing business firms.

Zinkhan, Ganesh, Jaju and Hayes (2001) argue that in a service encounter between service employees and customers it may be difficult for the customers to collect and analyse appropriate information. In this regard, a firm's reputation turns out to be the only way for customers to assess expected service standards. Therefore, reputation plays a fundamental role in setting the level of expected service standards when it is difficult for buyers to assess them physically (Bromley, 2001; Hardaker & Fill, 2005). According to Yonggui, Hing-P, and Yer (2003), reputation is important in determining customers' pre-purchase assessments of the levels of service standards expected. As services are intangible, the quality attached to them may be difficult for customers to evaluate. Therefore, in order for business firms to prosper, the enhancement of reputation should be given the uttermost priority (Kim and Choi, 2003).

Reputation can be linked to repeated purchases by customers which signal buyers' loyalty to a particular business organisation. Customer loyalty is generated by the fact that reputation tends to reduce the level of a customer's

uncertainty. It therefore implies that business organisations that enhance their reputation will be able to earn trust and loyalty from their customers (Moorman, Zaltman & Deshpande, 1992).

According to Moutinho and Brownlie (1989), a favourable reputation can be brought about by enhanced business performance which in turn is influenced by improved management of the whole process of service delivery. Specifically, business firms can improve their daily business performance by having efficient service delivery processes, improving available services, ensuring efficient and reliable channels of service delivery and lastly having the ability to introduce new services so as to be able to meet and exceed customers' expectations.

Pollock and Rindova (2010) argue that a business firm is able to ensure its favourable reputation by consistently showing performance that can be recognised and valued by the customers. In other words, a firm's reputation is established by its commitment to its customers in its daily actions and the customers' beliefs about the firms' future performance. Although they may not be able to observe these signals of the firm's performance directly, customers can nevertheless receive information about the signals from the media or other sources. In a nutshell, corporate reputation gives a reflection of the firm's past behaviour and a signal of future expectations.

With this argument, corporate reputation can be described as a sign that a business firm is being good to customers and is admired and/or held in high esteem. All these features enable the firm to earn trust from its customers. If the business firm has managed to earn trust from its customers, then a favourable corporate reputation arising from this may act as a competitive advantage (Carter & Deephouse, 2001).

Based on the above discussion it can be seen that a firm's reputation is fundamentally based on its performance (Carter & Deephouse, 2001), including how the firm tries to be innovative and how it ensures its commitment to the customers (Pfarrer, *et al.*, 2010). Based on these arguments, the following hypotheses are relevant in this study:

H2a: *There is a positive relationship between service innovation and customer based corporate reputation for both local and foreign banks.*

H2b: *There is a difference in the strength of the relationship between service innovation and customer based corporate reputation for local and foreign banks.*

3.10 THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION

The concept of customer satisfaction plays a fundamental role in explaining different outcomes that occur during and after the exchange process (Meuter, Ostrom, Roundtree & Bitner, 2000). Its existence has been given priority by both researchers and practitioners, due to the fact that it contributes greatly to the success of business organisations. In order for them to succeed in their day to day business operations, the enhancement of product and service quality to ensure customer satisfaction should be given special attention (Korda & Boris, 2010). In Tanzania, where there has been a shift from a state driven economy to a market driven economy, there has also been a change of strategic focus by the banks towards meeting or exceeding customers' expectations.

Moreover, the banking industry, faces a variety of business challenges such as the growing number of well informed and demanding customers and stiff

competition in the industry (Jham & Khan, 2008). Therefore, in order for commercial banks to prosper in this kind of business environment, bank managers have to make sure that they deliver service standards which are beyond reproach. This will ensure customer satisfaction which will lead to repeat purchases (Ravichandran, Mani, Kumar, & Prabhakaran, 2010).

Rust and Oliver (1994) provide a clear description of the theoretical model of customer satisfaction. They argue that the feeling of being satisfied depends on the output of both a mental process as well as the emotions arising from a particular service experience. For the customer to be either satisfied or dissatisfied follows a before-and-after comparison of a particular service experience.

There is considerable evidence from previous studies of a clear link between customer satisfaction and service quality. However, these constructs should be treated as separate research ideas which play a fundamental role in the whole process of customer purchase decision-making (Moguluwa & Ode, 2013).

Therefore, in this particular study, the following hypotheses are relevant:

H3a: There is a positive relationship between service quality and customer satisfaction for both local and foreign banks.

H3b: There is a difference in the strength of the relationship between service quality and customer satisfaction for local and foreign banks.

3.11 THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CORPORATE REPUTATION

Ensuring the delivery of service quality which is geared towards meeting or exceeding customers' expectations is of vital importance in ensuring success in today's volatile business climate. Excellent service delivery often ensures the improvement of the business firm's reputation and assists in maintaining and expanding the available customer base. These outcomes tend to have a tremendous effect on the business firm's financial performance and the overall profit generated (Julian & Ramaseshan, 1994; Zeithaml, Berry & Parasuraman, 1996).

The recognition of the role of service quality on the business firm's overall reputation has made bank managers aware of significant service quality features with their underlying influence on ensuring a favourable reputation in order to retain their customer base and to attract new customers (Yonggui, Hing-P & Yer, 2003).

It is clear that service quality delivery plays a fundamental role in enhancing a bank's reputation. From this argument, the following hypotheses are relevant:

H4a: There is a positive relationship between service quality and customer based corporate reputation for both local and foreign banks.

H4b: There is a difference in the strength of the relationship between service quality and customer based corporate reputation for local and foreign banks.

3.12 THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND CORPORATE REPUTATION

While all the researchers cited below agree that a firm's reputation depends on its meeting customer expectations, they can be distinguished in the following respects in the outcomes they emphasise:

- ensuring customer satisfaction (Davies, Chun, Da Silver & Roper, 2002; Walsh, *et al.,* 2006);
- enhancing customer loyalty (Fombrun & Van Riel, 1997);
- earning customers' trust (Doney & Cannon, 1997); and
- spreading a favourable opinion by word-of-mouth (Groenland, 2002).

According to Nguyen and Leblanc (2001), an enhanced reputation is self-reinforcing in that it inclines customers to believe that the service delivery met or exceeded their expectations. This in turn inclines them to endorse the firm and further enhance its reputation, thereby increasing its competitive advantage.

Moreover, satisfied customers can act as an important asset for increasing the firm's profits while discouraging other customers from leaving the firm (Reicheld & Sasser, 1990). According to Bei and Chiao (2001), satisfied customers can easily be retained and stay loyal to the firm. Fornell (1992) found that satisfied customers can be price insensitive regarding the firm's products and services; they also act as advertising agents to other potential customers and at the same time enhance the firm's reputation.

In a banking context, customer satisfaction arises from service quality and overall product quality and therefore all three have a strong positive relationship with the bank's reputation (Lo & Hui, 2003). In addition, Walsh, Mitchell & Jackson (2009) have established that both customer satisfaction and trust have a significant influence on corporate reputation.

Therefore, the following hypotheses are relevant in this study:

H5a: There is a positive relationship between customer satisfaction and corporate reputation for both local and foreign banks.

H5b: There is a difference in the strength of the relationship between customer satisfaction and corporate reputation for local and foreign banks.

3.13 PERSONAL CULTURAL ORIENTATIONS

As the business operations of several firms shift their business inclination towards globalisation, a group of new business markets are unwrapped and developed, and it becomes important for these firms to understand customers' attitudes and how they differ from one cultural background to another. Specifically, it becomes important for business firms to understand how customers' purchase decision processes differ and the role of cultural values in this (Doran, 1997). This is relevant in the Tanzanian context, where foreign banks have been flocking into the country, where they will experience a different culture from their own.

According to Kluckholn (1954), culture can be described as a totality of acquired principles and morals that would ultimately establish behavioural norms for a particular community. Hofstede (1991) defines culture as the collective

programming of the mind. In other words, culture consists of the reasoning and performance base of a particular community. The culture concept usually manifests in consumer decisions, which are driven by values that members of a culture hold. Cultural values are considered as the fundamental influencers that guide human behaviour, including consumer behaviour (Ferraro, 2002).

Without doubt, interest in the influence of culture on marketing activities continues to increase in the current global business environment. Indeed, culture's influence has been demonstrated in various aspects of business strategies such as promotion strategies (Laroche, *et al.,* 2001); strategies appropriate in different business industries (Brouthers & Brouthers, 2001); retailer practices (Bello & Dahringer, 1985); internet usage (Quelch & Klein, 1996); shopping practices (Ackerman & Tellis, 2001); multinational marketing teams (Salk & Brannen, 2000); and interactions within marketing environments (Doran, 2002).

The influence of culture has been a main focus in current competitive business environments because perceptions are filtered through the lens of culture, and its influence on business performance could be linked to satisfied customers and improved service delivery (Bolton & Myers, 2003). Attitudes and beliefs, being integral parts of any culture, are included in the affective component, which many scholars believe has an impact on satisfaction levels beyond classical expectancy-disconfirmation effects (Szymanski & Henard, 2001). Furthermore, different cultures vary with respect to behavioural norms. Therefore customers from different cultures tend to evaluate services differently and to hold different expectations about optimal and adequate encounters.

Research on the dissimilarities of human cultural values of different countries in buyer behaviour offering an understanding of customers' cultural alignments is

based on Hofstede's five dimensions of culture (Hofstede 1991). He refers to these dimensions as (1) independence/interdependence; (2) acceptance of unequal distribution of power in the society; (3) risk aversion; (4) dominance of society values on gender, and (5) long-term orientation. Hofstede's five dimensions of culture differ from other forms of cultural values as developed and measured by other researchers in this area due to the fact that people of the same country of origin may not share the same cultural features (Bond, 2002; Oyserman, Coon & Kemmelmeier, 2002). These researchers express reservations on the justification of applying Hofstede's five dimensions of culture as a means of examining customers' cultural alignments across different countries (Sharma, 2010).

In this study, four of Sharma's dimensions of cultural orientations, tradition, prudence, interdependence and consumer innovativeness were initially adopted for the purpose of investigating the role of culture in banking service perceptions (Sharma 2010).

3.13.1 Consumer Innovativeness

Sharma (2010) argues that consumer innovativeness is closely associated with customers being comfortable with uncertainty. That is, innovativeness makes it possible for customers to make decisions about the future despite the surrounding ambiguities. They tend to be more ready to buy new products and to explore the benefits of different new products as they become available.

On the other extreme of innovativeness are customers who tend to avoid uncertainties and to be scared in situations which seem to have unknown outcomes (Hofstede, 2001). They prefer to deal with situations with sure

outcomes or results and demand clarification in unfamiliar situations. Quite the opposite applies in groups with low uncertainty cultural values (De Mooij & Hofstede, 2002).

It is therefore hypothesised that:

H6a: There is a positive relationship between consumer innovativeness and perceived service innovation for both local and foreign banks.

H6b: There is a difference in the strength of the relationship between consumer innovativeness and service innovation for local and foreign banks.

H7a: There is a positive relationship between consumer innovativeness and perceived service quality for both local and foreign banks.

H7b: There is a difference in the strength of the relationship between consumer innovativeness and perceived service quality for local and foreign banks.

3.13.2 Prudence and Tradition

According to Sharma, prudence and traditional cultural orientations can be referred to as long term cultural orientations. They tend to be highly useful in explaining whether customers are long term oriented or short term oriented (Sharma, 2010). Traditional cultural values indicate perseverance, adherence to the world's realities, human kindness and awareness of social values (Bond, 2002), while prudence values are associated with the tendency to plan for the future and the ability to do so.

Customers who exhibit prudent cultural values tend to purchase long term universal products and services because of being sure of their sustainability; they also try to form sustainable relationships with the suppliers of these products and services (De Mooij & Hofstede, 2002). These customers tend to be better at managing their financial expenses, as seen in their low expenditure levels (Soares, *et, al.,* 2007).

In addition, prudent customers are more flexible in making their purchase decisions. They tend to be more ready to adapt to changes in their surroundings (Franke, Hofstede & Bond, 1991). These long term customers are usually more innovative in terms of their daily purchases, which forces business firms to be constantly developing new products to meet their dynamic demands (Van Everdingen & Waarts, 2003). They readily complain to sellers (Hui & Au, 2001) and respond quickly in situations where the service providers fail to meet their expectations (Poon, Hui & Kevin, 2004). Moreover, long-term oriented customers are always looking towards the future and value diligence, thrift, adoption rate, self-discipline, benefit and they have a sense of shame.

Short-term oriented customers on the other hand prefer immediate results and their spending is largely influenced by social pressure and achievement. Whereas long-term oriented customers exhibit perseverance and are future oriented, short-term customers need constant persuasion to stay loyal to the same service firm. They tend to have greater expectations about service delivery standards (Hofstede & Hofstede, 2005).

Tanzania's citizens do not all have the same orientation. For example, the majority of the educated part of the population tend to plan for the future; less so the uneducated. It is therefore hypothesised that

H8a: There is a positive relationship between prudence and perceived service innovation for both local and foreign banks.

H8b: There is a difference in the strength of the relationship between prudence and service innovation for local and foreign banks.

H9a: There is a positive relationship between prudence and service quality for both local and foreign banks.

H9b: There is a difference in the strength of the relationship between prudence and service quality for local and foreign banks.

H10a: There is a positive relationship between traditional values and perceived service innovation for both local and foreign banks.

H10b: There is a difference in the strength of the relationship between traditional values and service innovation for local and foreign banks.

H11a: There is a positive relationship between traditional values and service quality for both local and foreign banks.

H11b: There is a difference in the strength of the relationship between traditional values and service quality for local and foreign banks.

3.13.3 Interdependence and Independence

According to Sharma (2010), interdependence refers to the cultural inclination that could be linked to customers' ability to work in teams and to see success as belonging to all group members. With interdependence, customers tend to realise their belongingness to a particular group, and therefore their identity is usually attached to this group.

Customer independence on the other hand refers to customers being able to make personal decisions which automatically characterise the levels of freedom that they enjoy in their day-to-day activities, while at the same being able to attain their life objectives. Independent customers prefer to exercise individualism in making decisions; they are able to formulate their own directives and follow them. These two cultural dimensions can be referred to as the individualism-collectivism cultural dimensions.

Societies which exhibit a high level of independence as a cultural orientation are the ones in which individual interests overshadow the interests of the group or society (Hofstede & Hofstede, 2005). Societies which are highly independent are characterised by self-orientation, where an individual is emotionally independent from the corporate world and individual achievement is highly emphasized, as are confidentiality and autonomy.

Meanwhile, in societies which are described as being interdependent, group loyalty is highly emphasized. In addition, these societies tend to be peaceful among members as confrontations are largely minimised. Customers who originate from highly interdependent societies will be ready to tolerate mistakes as they tend to have lower service expectations. However, with this kind of a group, service firms should constantly try to show empathy, assurance and responsiveness (Hofstede & Hofstede, 2005).

People with independent cultural values tend to be free from the communities surrounding them. They tend to be responsible for their immediate family members and no else, which is very different from the interdependent cultural group in which people tend to protect one another, take care of one another and attach the success of their societies to the community as a whole (Hofstede, 2001). People in the interdependent cultural group have close relationships with

other group members and care about the welfare of every group member. By contrast, an independent cultural group tends to emphasize self-reliance; the individual's reputation is attached to that particular person and not to the whole society (Sharma, 2010).

3.14 CULTURAL INFLUENCES ON PERCEIVED SERVICE PERFORMANCE

Understanding the influences that a customer's cultural orientation has on services that service firms deliver becomes highly relevant as global business competition intensifies. This is because cultural orientation provides the background for social interactions, social rules, social principles and customers' service anticipations, all of which could be influenced by the employee-customer interactions, which tend to differ across different cultural backgrounds (Mattila, 1999).

The current business focus of firms that produce goods has been on the marketing of global brands. This is based on the ever-increasing homogenisation of international markets and a subsequent growth of similarities in customers' preferences and behaviour globally. This does not apply to service firms that want to expand globally, however. This is because the efforts that a service firm puts into universally standardising the process of service delivery will automatically run into difficulties because the differences in customers' perceptions as to what constitutes a good service may be culture bound. Despite the current speed towards universal business expansion and despite the competitive advantage service firms would gain by being able to leverage different cultural factors, available studies have not been able to give a full account of the contribution of different cultural backgrounds in understanding service marketing (Thomas, Bureau & Saxena, 1996).

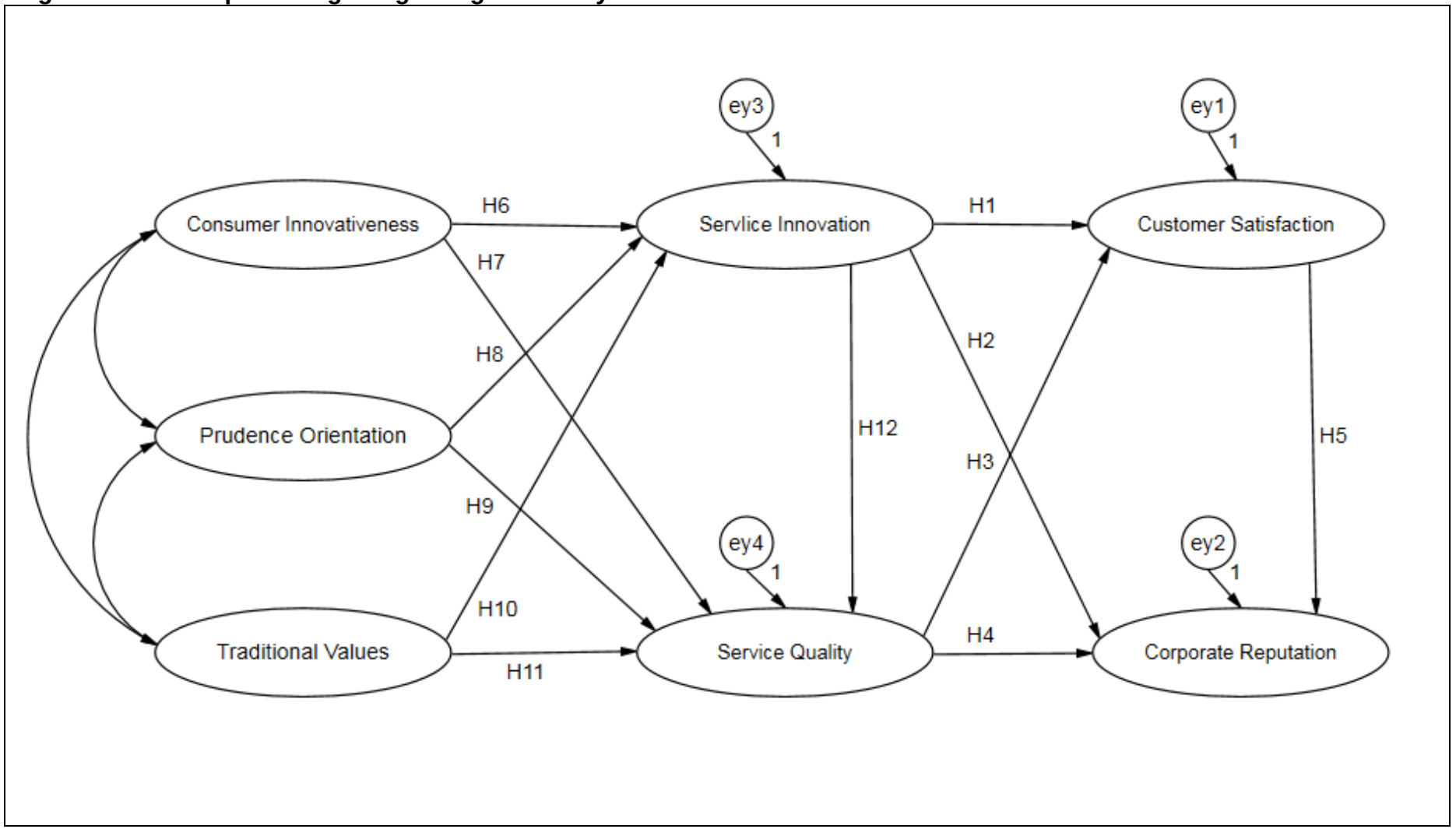
Every customer approaches a service firm with an aim that may be aided or hindered by the particular circumstances. High customer involvement during a service delivery process reflects a culture that favours communication that is clear, direct and unambiguous; in other words, low context communication. Other cultures prefer a more nonverbal type of communication, or high context communication. They tend to focus on the job being completed. Customers who are from a cultural background that prefers maximum communication with the service provider usually focus on the excellence of the experience during the service encounter (Bradley, 1995).

It is clear that cultural values influence customers' belief systems and perceptions, which in turn shape their overall attitudes. In the marketing context, customers' cultural orientations influence their perceptions of the firm's products and services and consequently their purchase decisions. Therefore, for service firms to be successful in today's competitive business environment, they have to take the cultural values of both actual and potential customers into consideration, (Poon, et al., 2004; Kanousi, 2005), customers' complaint behaviour (Liu & McClure, 2001) as well as evaluations of the moment of truth (Stauss & Mang, 1999).

3.15 SUMMARY OF LITERATURE REVIEW

Chapter 3 covered the meaning of service performance as an extended model of service delivery. The relationship of service performance with customer satisfaction and corporate reputation was also explained. Moreover, customer satisfaction and its relationship with corporate reputation were covered extensively. Cultural influences on service performance were also examined. The conceptual framework that guides this study is presented in Figure 3.2. The next section is the methodology chapter which covers the approach that was applied for data collection, data analysis and the presentation of findings.

Figure 3.2: Conceptual diagram guiding this study



CHAPTER 4
RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter provides details of the investigative approach that was used in this study. Firstly, the research problem that was pursued in the study is revisited, and with it the research objectives and the hypotheses governing the study. This is followed by an explanation of the research design and the sampling procedure that was used to collect data. The measurement instruments used to measure dimensions of cultural orientations, service performance, customer satisfaction and corporate reputation which were used towards addressing the research questions and the stated hypotheses are also discussed. This chapter concludes with details of the procedures that were applied during the data collection process and analysis.

For the sake of convenience, the purpose of the study is reiterated here:

The primary purpose of this study was to examine whether personal cultural orientation has an effect on perceptions of service performance, customer satisfaction and corporate reputation. A further purpose was to investigate where the type of bank (foreign or local) moderates the relationships between personal cultural orientation, service performance and customer satisfaction. In addition, the moderating role of foreign/local banks on the relationships between perceptions of service performance, customer satisfaction and corporate reputation were investigated.

Therefore, a comparative analysis was conducted between foreign and local banks, by exploring differences between foreign and local banks' customers in cultural orientation, perceptions of service performance, customer satisfaction and perceptions of corporate reputation, and differences in the strength of the relationships between the two major groups of customers.

4.2 RESEARCH PARADIGM

The process of conducting research is hinged on the wider philosophies of science. Basically, in the process of understanding the meaning of research, two main things have to be taken into account and these are reasoning (theory) and observation (data or information). However, the relationship that exists between reasoning and observation is still an on-going philosophical debate on the whole process of knowledge evolvement. Despite the fact that many past researchers have been carrying out studies without giving a thought to philosophical issues, it still remains important to consider research philosophies to ensure that the research design and a choice of the appropriate research methods are suitable to address the research problem (Blumberg, Cooper & Schindler, 2008).

The survey methodology that was applied in this study can be classified as a deductive approach that is rooted in post-positivism. Post-positivists argue that knowledge can be generated after examining social reality and observing objective facts. Theory development becomes possible after hypothesizing fundamental laws and making deductions using relevant observations that lead to either accepting or rejecting the hypotheses (Guba & Lincoln, 1994).

This particular study follows the tradition of post-positivist research. Hypotheses were formulated and then subjected to statistical analyses to evaluate whether their theoretical predictions are supported or rejected by empirical evidence. Observed measures of personal cultural orientations, service performance, customer satisfaction and corporate reputation were measured quantitatively and analysed statistically in order to permit a quantitative analysis of the data (Guba & Lincoln, 1994).

Moreover, the study was based on assessing the antecedents of variables that form the base of the post-positivist approach. That is, the study examined the role of personal cultural orientations, service performance, and customer satisfaction as antecedents of corporate reputation. With that, the study qualifies as a post-positivist approach as its analysis was entirely based on statistical analyses of observed variables (Guba & Lincoln, 1994).

Finally, the study is characterised from post-positivist research philosophical paradigm, because of the possibility of carrying out inferential statistical analysis on the data collected. This analysis was carried out in order to draw conclusions that reflect the features of the population at hand and specifically in our case of the customers using services of the banks that are operating in Tanzania.

4.3 DESCRIPTION OF THE INQUIRY STRATEGY AND RESEARCH DESIGN

This research is a formal study specifically designed to test simultaneous hypotheses. During the field survey, a cross-sectional research design was used to collect data from the customers of the banks operating in the Tanzanian banking industry through self-administered questionnaires. The cross-sectional research design was seen to be appropriate for this study as it gave the researcher a chance to collect data for a specified period of time. Despite criticisms of the cross-sectional research designs because it cannot detect changes in the phenomenon over time (Cooper & Schindler, 2006; Wilson, 2010), this design was nevertheless deemed most appropriate for this particular study because of budgetary constraints and time limitations.

The purpose of the study was to conduct a comparative analysis between foreign and local banks in Tanzania on evidence relating to cultural orientations, service performance customer satisfaction and corporate reputation. Hypotheses developed were tested quantitatively and the research findings were presented based on the assumed representativeness of the samples surveyed.

4.4 FIELD WORK

The process of data collection commenced immediately after obtaining ethical clearance from the committee of research ethics of the Faculty of Economic and Management Sciences of the University of Pretoria. This ethical clearance was given after submitting letters of consent from the 14 banks that agreed to participate in the survey. The field research took place from the beginning of November 2011 to the end of March 2012.

The target population for this study involved all the registered commercial banks operating in the Tanzanian banking industry. During the time that this study was carried out, a total of 30 listed commercial banks were contacted by the researcher. Before any customers were interviewed, these banks were approached for consent that would enable the researcher to conduct a survey by interviewing their customers. At the end, only 14 banks agreed to participate, and gave the researcher permission to carry out the study. After obtaining their written consent, the researcher had to adhere to the research procedures agreed upon with each bank.

The target population consisted of customers who were using services of the 14 banks that comprised both foreign and local banks that are operating in Tanzania. Both the researcher and two research assistants had to travel to towns where these

banks are located. This included Dar Es Salaam, Arusha, Mwanza and Dodoma. The survey was done on Mondays, Wednesdays and Fridays between November 2011 and March 2012, when a total of 10 weeks were used for the survey data collection phase.

The researcher and two research assistants met with the customers at the banks' branches. Before starting to interview the customers, the researcher and the assistants had to introduce themselves to the branch managers so that the management would be aware of their presence and of the type of exercise that was to take place. They were then allowed to approach the customers who were mostly in a queue waiting for the services and request them to participate in the survey by filling in the questionnaires. Other customers were approached at the banks' entrances as they exited or entered the bank.

Customers were told the purpose of the exercise and that they had the right to either reject or accept being interviewed. Those who accepted were given questionnaires to rate their own cultural orientation and satisfaction levels and to give their perceptions of the bank's service performance and corporate reputation on the 7 point Likert scale.

A total of 450 customers comprising of individual customers, small or medium enterprise businesses, corporate customers and microfinance institutions were interviewed. However, in the analysis, only private individuals and small to medium size business owners were included, due to the fact that corporate customers and customers representing microfinance organisations were not suitable for analysis, due to the fact that these customers may have no influence on the choice of bank used. After these two customer groups were excluded, 380 fully completed questionnaires were used in the final analyses.

4.5 RATIONALE OF THE STUDY

Based on the theoretical exposition that has been laid in Chapter 3, this study investigated the relationships between personal cultural orientation, service performance, customer satisfaction and corporate reputation. The role of personal cultural orientation in the evaluation of service performance is an aspect that has not received much attention in the literature. In addition, it would be of interest to know whether different aspects of personal cultural orientation played a role in whether a customer prefers the service of a local bank compared to a person using a foreign bank for their banking transactions. Further, it would be of interest to investigate whether the strength of the relationships between service-performance, customer satisfaction and corporate reputation are similar for foreign and local banks. This investigation provided new insight on consumer behaviour within a developing country, and contributed towards understanding the dynamics of consumer perceptions in Tanzania specifically.

4.6 RESEARCH OBJECTIVES

The primary research objective of this study was to investigate the relationships between personal cultural orientation, service performance and customer satisfaction, and their effect on the corporate reputation of both foreign and local banks operating in the Tanzania, and to examine the moderating role of the type of bank used by customers, on these relationships. Specifically, this study endeavored to:

1. develop and test a model of service performance that is relevant to the Tanzanian context;

2. examine differences in perceptions of service performance between local and foreign bank customers;

3. examine differences in customer satisfaction levels between local and foreign banks;

4. compare the perceived corporate reputation of their banks between local and foreign bank customers;

5. investigate the relationships between service performance, customer satisfaction and corporate reputation;

6. compare the strengths of these relationships between local and foreign bank customers;

7. compare personal cultural orientation between the customers of local banks and customers of foreign banks;

8. investigate the relationships between key aspects of personal cultural orientation (consumer innovativeness, traditional values and prudence values) and second order constructs of service performance (service innovation and service quality); and

9. compare the strengths of these relationships between local and foreign bank customers.

4.7 MEASUREMENT OF THE RESEARCH CONSTRUCTS

The measurement process involves the operationalisation of the research constructs applied in the study. In this stage of the research process, suitable measuring instruments are formulated in order to obtain measures of the research constructs, as summarized in Table 4.1 (Mouton, 1996).

A pilot study was conducted to pre-test the measurement instrument to be applied in the study. This process resulted to some questions to be rephrased and others be deleted. But most of the questions were valid and appropriate to be used in the study.

Table 4.1: Operationalisation validity framework

Stage in research process	Sources of error	Methodological strategy	Outcome	Quality criterion
Operationalisation	Poor sampling of items Leading questions Scaling errors	Scale validation Face validation Pilot study	Measuring instruments	Measurement validity (Construct validity)

Source: Mouton (1996)

The measurement process of the construct in any research consists of allocating numbers to empirical objects or events that conform to a certain set of rules (Blumberg, *et al.,* 2008). In scenarios where a researcher cannot obtain a direct measure of the research constructs applied in the research, the constructs have to be measured indirectly by using measurement variables that are considered appropriate as proxies of those research constructs. In this study, measurement variables of the research constructs were adopted from existing literature. A Likert-style rating scale was used for the response categories due to its simplicity and effectiveness in measuring attitudes. In this study, the researcher is interested in measuring the attitudes of customers as representations of their own individual personal cultural orientation, their personal experience of service performance, their personal customer satisfaction and how they individually viewed the corporate reputation of their banks.

With the Likert-style rating scale, respondents indicate their attitudes by checking whether they strongly agree or disagree with carefully constructed statements that range from very positive to very negative towards the attitudinal object. The Likert-style rating scale may range from a three-point to a nine-point scale (Zikmund, 2003). In this study, a seven point Likert rating scale was applied, with 1 representing *strongly disagree* to 7 representing *strongly agree*. A seven point Likert scale was used because it offered greater data variation. However, the reliability of the data to be collected is still entirely dependent upon the respondent's ability to interpret the questionnaire correctly and to provide answers to the questions. The measuring instrument maintained the same order of response categories throughout the questionnaire so as to avoid confusing the respondents.

Constructs in the study were measured by using a large number of individual items for each construct in order to ensure reliability and validity (Zikmund, 2003). However, to maintain data quality and in order to minimise the load on the respondents, based on the pilot study that was carried out; the measuring instrument was refined.

4.7.1 Personal Cultural Orientation

The construct of Personal Cultural Orientation (PCO) was measured by using a scale that included four of the ten dimensions proposed by Sharma (2010), namely Interdependence, Tradition, Prudence and Consumer Innovativeness. These four dimensions were considered to be more relevant in the context of this study, despite the fact that there are more than four dimensions of personal cultural orientation, since they pertain to constructs that may be related to how people handle their own financial affairs.

4.7.2 Service Performance Dimensions

For this study, a performance-based approach was used to measure service quality and related service performance dimensions. This is because performance-based measures are better at reflecting long term service quality attitudes in cross-sectional studies and have a higher predictive validity (Dabholkar, *et al.*, 1995).

Forty of the 69 items in the questionnaire (provided in Addendum A) were directed at service performance dimensions. These included the 22 individual performance items which make up the SERVQUAL scale as adopted from the studies conducted by Parasuraman, *et al*., (1988). Their validity is well supported, both by the procedures used to develop the items and by their subsequent use as reported in the literature (Carman, 1990).

An additional 18 items were developed from existing literature, predominantly from Jun and Cai (2001), in order to fully represent the reality of the banking industry in Tanzania.

Between them the 40 items covered variables relating to facilities for cash distribution, service innovation, including physical access, and service quality, which involved tangibles, assurance, empathy and security. These have proved useful in other studies as dimensions to measure service quality, which influences both customer satisfaction and business performance.

In addition, since the banking industry is very competitive and still developing in terms of sophistication within Tanzania, it would be useful to investigate customers'

perceptions of banks' overall service performance. There has not been a scholarly investigation of how customers perceive their banks' service delivery, and to compare it between local and foreign banks in Tanzania. And with that, an essential contribution of this study was to develop a suitable model of service performance for the Tanzanian banking industry.

4.7.3 Customer Satisfaction

Customer satisfaction was measured by using the level of service quality, actual sense of satisfaction and the intended future use of the bank's services. These variables were used in order to obtain a measure of the customers' feelings on service quality dimensions after receiving the services. These dimensions were based on the studies conducted by (Hallowell, 1996) and Athanassopoulos, Gounaris and Stathakopoulos (2001). Moreover, from the study by Hallowell (1996) the question that examined overall satisfaction of the customers was adopted and applied. From the study of Athanassopoulos, *et al*., (2000), questions that were geared towards examining behavioural responses of the customers were rephrased into one question that would help to know customers' future use of the banks' services. Questions from these two previous studies were adopted but rephrased so as to be applicable in this particular context.

4.8.4 Corporate Reputation

Corporate reputation was measured by using the customer based reputation scale proposed by Walsh and Beatty (2007), measuring four main dimensions, namely, Trust, Reliable and Financially Strong Company, Product and Service Quality, and Social and Environmental Responsibility (Walsh & Beatty, 2007; Arnold & Reynolds,

2003). Product and Service Quality was renamed as Market Offering in order to avoid confusion with the similarly named dimensions in the service performance construct.

4.8 PILOT STUDY

Before the study could be conducted based on the initial questionnaire, it had to be pilot tested. The purpose of the pilot test was to refine the questionnaire so that respondents would have no problems in answering the questions and there would also be no problems in capturing the data. Moreover, pilot testing enabled the researcher to assess the face validity of the items based on observed data. The pilot study was also used to establish how long it would take for a respondent to complete the questionnaire, whether the instructions were clear, whether any of the questions were unclear or ambiguous, whether there were any questions the respondents felt uneasy about answering, whether there were gaps in the coverage of the questions, whether the layout was clear and attractive, and if provision should be made for comments from the respondents.

In addition, the pilot study was performed to refine the measurement instrument in order to improve the reliability of the measures. The pilot study exercise also involved an assessment of face validity, that is, whether the questions on the questionnaire and the responses to them appeared to make sense in terms of the constructs investigated.

During the pilot study, 20 customer respondents were chosen to participate. This was sufficient to include any major variations in the population that may affect the responses. It also exceeded the 10 respondents recommended by Fink, (1995). A preliminary analysis using the pilot test data was undertaken to ensure that the data collected would enable the researcher's investigative questions to be addressed.

The main findings from the pilot study resulted in certain questions being deleted and one being rephrased so that all the retained items could easily be understood by the respondents. Table 4.2 shows the specific items that were deleted after the pilot testing, and the one item that was rephrased.

Table 4.2: Items identified as problematic in the pilot study

Item	Action Taken
B8: The bank has 24 hours working ATMs	Deleted
B19: The bank's employees wear a smile when they serve customers	Deleted
B20: The bank's employees give good and clear explanations on the service charges to the customers	Deleted
B24: The bank's employees know the bank's products and services	Deleted
B25: The bank's employees keep customers informed about when a particular service will be delivered	Deleted
B27: The bank's employees give quick services to customers	Deleted
B32: The bank's employees set appointments at convenient times with their customers.	Deleted
B33: The bank's employees are ready to apologize to customers.	Deleted
B34: The bank's employees deliver error-free services to customers.	Deleted
B39: The bank does not close on the weekends and public holidays.	Rephrased
New phrasing: The bank closes on weekends and public holidays	
B49: The bank provides loans to all types of people with flexible repayment modality and easy credit terms.	Deleted
B52: The bank always delivers services to customers correct at the first time.	Deleted
B53: The bank has enough employees to reduce the customers' waiting time.	Deleted

The responses in the pilot study indicated that most items in the questionnaire worked well in terms of coding, layout and clarity.

4.9 STAGES IN THE RESEARCH PROCESS

4.9.1 Research Design

The research design of a study involves the organisation of the research process, for example by establishing the framework of the data collection process, how the research constructs were measured as well as the method of data analysis that was applied. In addition, the sampling procedure is mentioned with the aim of showing how the sample for the study was obtained for the purpose of statistical analysis.

Kerlinger (1986) described a research design as the plans, structures and research procedures that are involved in the examination of the research variables put forward for the purpose of addressing the research questions. While a research plan can be referred to as a complete scheme or programme for a particular study, it involves a layout of what the researcher will do, from the stage of hypothesis development to the research implications derived from the final analysis of the research findings. In this particular study, a quantitative research design was applied which involved a collection of data at one particular point in time, as there was a single timeframe in which interaction with customers took place when they were interviewed during data collection.

Based on this argument, Wilson offers the following six research designs: case study, experimental, archival, comparative, cross-sectional and longitudinal research designs (Wilson, 2010). In this particular study, a cross-sectional research design

was applied which involved a collection of data at one particular point in time, as there was an isolated interaction with each customer at the time of the interview.

Finally, the following concepts are discussed below: the population that was investigated, the sampling plan and sampling methods that were applied to obtain a sample from the population, the data collection processes and lastly the measurement of the research constructs.

4.9.2 Research Population

A demarcation of the target population that is to be surveyed is not normally a straightforward process. This is because the population that is under investigation is determined by the research questions and by the background to the study and what it intends to achieve. According to Wilson (2010), the population under investigation should be able to establish the categories of cases that constitute the population of interest, which could be individuals, business firms, households and others. The population under study can be defined as a group of research subjects that acts as a set of cases from which the sample for investigation is drawn. Churchill and Iacobucci (2002) provide a broader definition of target population, defining it as the entirety of elements that fall under the same designated specifications. These specifications allow both the inclusion and exclusion of some elements of a particular target group. In this study, the population under investigation involved all the customers who were using the services of banks operating in the Tanzanian banking industry. Customers were supposed to have at least six months experience with a particular bank. This criterion was of vital importance as it could enable them to give a more accurate evaluation of what transpires during a service encounter. In this aspect, the following categories of customers were involved, and these included individual customers, small or medium enterprises customers, corporate customers and the microfinance institutions. But in carrying out the analysis, both corporate customers and micro finance institutions were excluded.

4.9.3 Sampling

4.9.3.1 Sampling Plan

Sampling involves the process of drawing up a subset of elements from a target population of individuals while aiming at getting some knowledge about the target population as a whole. The samples can be applied by researchers to establish an inference about the target population or to use these samples to draw scientific conclusions about an existing theory (Tabachnick & Fidell, 2007).

Most studies do not survey the whole population because the cost would be too high and it would be too time-consuming. Drawing samples from the target population increases the speed of data collection and enhances accuracy by allowing for flexibility if the target population changes during the period of research (Cooper & Schindler, 2006). For these reasons, this study used a sample for the purpose of drawing inferences about the target population as a whole.

4.9.3.2 Sampling Frame

The sampling frame is a complete list of the eligible target population in a particular study area. Cooper and Schindler (2006) define the sample frame as a list of elements from which the sample itself is selected. The sample frame for this study included all the registered commercial banks operating in the Tanzanian banking industry, as listed in Table 4.3:

Table 4.3: List of registered commercial banks

	NAME OF THE COMMERCIAL BANK		NAME OF THE COMMERCIAL BANK
1	Standard Chartered Bank (T) LTD	16	Habib African Bank LTD
2	Stanbic Bank (T) LTD	17	NIC Bank (T) LTD
3	Citibank (T) LTD	18	Azania Bancorp
4	FBME Bank (T) LTD	19	Bank of Baroda (T) LTD
5	Bank of Africa (T) LTD	20	Bank M (T) LTD
6	Diamond Trust Bank (T) LTD	21	Access Bank (T) LTD
7	Exim Bank (T) LTD	22	Bank of India (T) LTD
8	National Bank of Commerce LTD	23	United Bank of Africa (T) LTD
9	National Microfinance Bank LTD	24	Mkombozi Commercial Bank PLC
10	CRDB Bank PLC	25	EcoBank (T) LTD
11	The Peoples' Bank of Zanzibar LTD	26	Advans Bank (T) LTD
12	Akiba Commercial Bank LTD	27	Barclays Bank (T) LTD
13	KCB Bank (T) LTD	28	BancABC
14	International Commercial Bank (T) LTD	29	Commercial Bank of Africa
15	Dar-es-Salaam Community Bank	30	I & M (T) LTD

4.9.3.3 Sampling Procedure

The two main procedures for drawing a sample from a target population are probability (random) and non-probability (non-random) sampling (Wilson, 2010). Probability sampling permits the application of tests of statistical significance that allow inferences to be made about the target population from which the sample was drawn (Bryman & Bell, 2007; Tabachnick & Fidell, 2007). Non-probability sampling refers to procedures in which researchers select their sample elements based not on a predetermined probability but on their personal judgement. Despite the fact that they are not probability samples, good estimates of the population features are still possible (Blumberg, Cooper & Schindler, 2008).

The particular kind of non-probability sampling used in this study is termed convenience sampling. Its justification is that it makes it possible to obtain a large number of fully completed questionnaires from respondents easily, quickly and economically. (Zikmund, 2003). All customers in the sample had to be accessible and willing to fill in self-administered questionnaires which were provided during the data collection exercise. Customers that were included in the study were divided in two main subgroups, namely individual customers and small or medium business customers.

4.9.3.4 Sample Size

Different researchers specify various ways to determine a sample size. Blumberg, Cooper and Schindler (2008) suggest that the costs involved in collecting data should be weighed against considerations of accuracy and speed. Churchill and Iacobucci (2002) state that the sample size is usually determined by the level of precision and confidence interval desired and indeed, it is usually the case that the ultimate choice of the sample size is dependent on the trade-off between the degree of confidence and the level of precision.

In quantitative studies, the sample size is of vital importance as it determines the precision and accuracy of the research outputs (Anderson & Gerbing, 1988; Bentler, 1990; Bentler & Yuan, 1999; Bollen, 1990). In line with this, previous studies indicate that, for a structural equation modelling estimation to be viable and to minimize biases to an acceptable level, the necessary sample size is 200 (Boomsma & Hoogland, 2001). The 450 customers who were interviewed, of which 380 were included in the analysis for this research exceeded the required sample size and hence it was appropriate to proceed with it.

The researcher was able to achieve this size of sample because of the data collection method that was used in the 14 participating banks: bank-intercept interviews. Customers were approached inside the bank or when entering or leaving it, where the researcher or one of his assistants would explain the benefits of the study. Most customers were willing to spend the necessary 20 minutes or so answering the 69 questions, after which the completed questionnaire was collected. The response-rate was very high and the minimum acceptable sample size of 200 was easily exceeded. In the interests of reliability, interviews continued until the number of response that were required had been collected.

4.9.3.5 Unit of Analysis

The unit of analysis was defined as an individual customer or a small or medium business customer of a local or a foreign bank with at least six months' experience with that particular bank.

4.10 RESPONSE RATE

The researcher used a paper-based survey, where the respondents were approached to self-complete the questionnaires. This was considered to be an efficient means of data collection in the Tanzanian context as there was physical contact between the researcher or the research assistants and respondents, which ensured a high response rate. The research assistants were trained to approach respondents in a professional manner and to speed up the process of data collection. Electronic surveys were not an option, since internet access is still a challenge for the majority of citizens. A total of 450 customers agreed to participate in the survey, and of those 380 were included in the analysis.

All the questionnaires were filled in by the respondents in the presence of the researcher or the research assistants. This was done so as to resolve any queries that could arise in the course of filling in the questionnaires. In a few instances where the respondent was not conversant with English, either the researcher or the research assistants gave a clarification of the questions in the respondent's native language.

4.11 DATA COLLECTION

The data collection process comes after the sampling stage in the research process. Table 4.4 depicts a data collection validity framework as suggested by Mouton (1996). The table shows different sources of errors when carrying out data collection process. How to avoid this, two methodological strategies are proposed and these are multi-method approach and proper training of the field workers. In this particular study, two research assistants were trained by the researcher to minimize field errors during the data collection process.

Table 4.4: Data Collection validity framework

Stage in research process	Sources of error	Methodological strategy	Outcome	Quality criterion
Data collection	Observation effects Interviewer bias Respondent bias Context effects	Multi-method Proper training of field workers	Data sets	Reliability

Source: Mouton (1996)

A survey research method involving structured questionnaires was used for data collection. The data collection process involved personal interviews to guarantee a

high response rate from the respondents who were the customers, filling in self-administered questionnaires.

The survey research method involves the use of a structured questionnaire which consists of opinion rated items for administration to a sample. This yields primary data that is quantitative in nature, and on which both comparison and analysis can be executed using descriptive and inferential statistics (Mouton, 1996; Saunders, Lewis & Thornhill, 2007).

According to Mouton (1996), surveys can be applied in both confirmatory or deductive research approaches by proceeding from theory to the testing of hypotheses. This study made use of confirmatory factor analysis (CFA) to assess the validity of the measurement models and structural equation modelling (SEM) for testing the hypotheses of interest.

The specific data analysis methods that were applied in this study for assessing the validity and reliability of the measurement scales used in this study are elaborated in the following sections of this chapter.

4.12 DATA ANALYSIS APPROACH

4.12.1 Descriptive Results

4.13 DATA ANALYSIS METHODS

After the collected data were coded and cleaned, they were passed through a sequence of statistical analyses to address both the research questions and the

hypotheses posited. These analyses were classified into two categories, namely descriptive statistical analysis and inferential statistical analysis.

4.13.1 Descriptive Statistics

In the process of quantitative data analysis, descriptive statistical analysis is usually the first statistical procedure to be performed. Its purpose here is to describe the characteristics of the respondents; these will later be extrapolated to a larger target population. In the light of this, the main statistical analyses included the results of the chi square test of independence with the following contextual variables: age in years of the customers; gender of the customers; type of banking customer; type of account that a customer has with the bank; customers' internet access; customers' familiarity with banking on the internet; customers' mobile phone ownership; and lastly customers' familiarity with mobile phone banking services. The frequencies and percentages were differentiated for local and foreign banks.

A comparative analysis between foreign and local banks in the sample is presented in Table 4.4. The Chi-Square test of independence was conducted for each of the customer types in order to test whether representativeness across demographic variables and contextual variables could be assumed to be comparable when the results of local and foreign banks customers are compared in the final analyses.

4.13.2 Demographic Characteristic of the Sample

The demographic characteristics of the sample, by each type of bank is provided in Table 4.5. It is clear from the figures in Table 4.5 that in terms of their demographic profile and contextual variables, the two groups of customers are remarkably similar.

Differences that emerge in their responses to the questions relating to the four constructs can therefore be attributed to differences between the two groups of banks, and not necessarily to demographic differences between the groups of customers.

Minor differences were found in the sample representation with respect to gender. In this aspect, among foreign bank customers, 55% were male, and among local bank customers, 48% were male. Correspondingly, the percentage representation for the female respondents was higher for the local banks compared to the percentage representation of these respondents for the foreign banks. That is, among foreign bank customers, 45% were female, and among the local bank customers, 52% were females. However, when the corresponding significance of the Chi-square test of independence in Table 4.6 is considered, this difference is not statistically significant (p=0.145).

With access to the internet, the majority of customers agreed that they have access to internet. This could be seen in the percentage representation whereby 86% of all the respondents interviewed, responded by saying that they have internet access. In the sample representation in terms of the local banks' customers and foreign banks' customers, there was a minor difference between the two groups in terms of access to the internet, as 85% of local bank customers had access to the internet, and 88% of foreign bank customers had access to the internet. As seen in Table 4.6, this difference is also not statistically significant (p=0.342).

However, despite having access to the internet, only 56% of the all the respondents interviewed were comfortable with using the internet for banking services, and this comprised of 58% of the local bank customers and 54% of foreign bank customers. That means, despite the fact that the majority of the customers agreed that they had access to internet services, these customers had their reservations on using this technology to carry out their financial transactions. It seems therefore that there is a general reluctance among Tanzanian bank customers to trust the internet to facilitate their banking activities.

Table 4.5: Demographic profile and contextual variables of customers

Variables	Categories	Frequencies			Percentages		
		Type of bank			Type of bank		
		Local	Foreign	Total	Local	Foreign	Total
A1: Age in years	19-25	32	28	60	16.3	15.2	15.8
	26-35	60	44	104	30.6	23.9	27.4
	36-45	26	38	64	13.3	20.7	16.8
	46-55	22	30	52	11.2	16.3	13.7
	56-65	38	30	68	19.4	16.3	17.9
	66-75	18	14	32	9.2	7.6	8.4
A2: Gender	Male	94	102	196	48.0	55.4	51.6
	Female	102	82	184	52.0	44.6	48.4
A4: Type of banking customer	Individual person	137	136	273	59.3	62.4	60.8
	Small or Medium enterprise business owner	59	48	107	25.5	22.0	23.8
A5: Type of account	Savings	81	75	156	41.3	41.0	41.2
	Current	59	53	112	30.1	29.0	29.6
	Fixed deposits	44	50	94	22.4	27.3	24.8
	Call account	7	4	11	3.6	2.2	2.9
	Time account	5	1	6	2.6	.5	1.6
A6.1: Internet access	No	30	22	52	15.3	12.0	13.7
	Yes	166	162	328	84.7	88.0	86.3
A6.2: Comfortability with banking on the internet	No	82	85	167	41.8	46.2	43.9
	Yes	114	99	213	58.2	53.8	56.1
A6.3: Mobile phone ownership	No	5	1	6	2.6	.5	1.6
	Yes	191	183	374	97.4	99.5	98.4
A6.4: Comfortability with using mobile phone banking services	No	196	184	380	41.3	45.1	43.2
	Yes	81	75	156	58.7	54.9	56.8
	Total	**196**	**184**	**380**	100	100	100

With mobile phone ownership, 98% of the respondents who were interviewed possessed mobile phones. This result is not unusual, since the major part of data collection was conducted in the city centres where the participating banks have their branches, and that is why the majority of the respondents who were interviewed happened to have mobile phones.

Nevertheless, despite the fact that the majority of those who were interviewed had mobile phones, but still only 57% (which comprised 59% of the customers using local banks' services and 55% of the customers using foreign banks' services) were comfortable with using mobile phones to facilitate their banking transactions. This reluctance of using mobile phones to facilitate banking activities could possibly be attributed to Tanzanian customers to be seemingly not ready for using mobile phones as a means to facilitate their financial transactions.

4.14 SAMPLE REPRESENTATIVENESS ACROSS TWO TYPES OF BANKS

Each of the two-way tables presented in Table 4.5, were subjected to the Chi-square test of independence to test whether there were significant differences in the representation of local versus foreign banks in terms of demographic and contextual variables. The results of these tests are summarized in Table 4.6.

None of the chi-square test results in Table 4.6 were significant, and it is therefore appropriate to make the assumption that the demographic profiles of the two groups of banks are very similar.

Table 4.6: Summary of Chi-square test results

Variables	Chi-Square	Df	Significance
A1: Age in years	7.278	5	0.201
A2: Gender	2.124	1	0.145
A4: Type of banking customer	0.756	1	0.384
A5: Type of account	3.979	4	0.409
A6.1: Internet access	0.902	1	0.342
A6.2: Comfortability with banking on the internet	0.732	1	0.392
A6.3: Mobile phone ownership	2.461	1	0.117
A6.4: Comfortability with using mobile phone banking services	0.553	1	0.457

4.14.1 Inferential Statistics

An inferential statistical analysis was applied in the data analysis process in order to arrive at conclusions that reflect the outcomes from the sample and to draw inferences about the target population from the sample (Tabachnick & Fidell, 2007; Zikmund, 2003). The main statistical operations that were performed were confirmatory factor analysis (CFA) and, subsequently, structural equation modelling (SEM).

However, before carrying out the CFA, an assessment on normality was first carried out on the four constructs of cultural orientation, service performance, customer satisfaction and corporate reputation. This was done across the two groups of banks so as to examine whether the data in question exhibited multivariate normality, an assumption which is considered to be important when conducting structural equation modelling analyses in general (West, Finch & Curran, 1995).

This is due to the fact that statistical research has established that non-normality, specifically the presence of excess kurtosis, the peakedness of a frequency-distribution curve, has an effect on tests of variances and covariances on which structural equation modelling analyses are based. Indications of kurtosis therefore always raise concerns in statistical research that applies structural equation modelling and especially multivariate kurtosis, where a multivariate distribution indicates tails and peaks which are quite different from the characteristics of multivariate normal distribution (Byrne, 2010).

Confirmatory factor analysis has been employed to summarise and reduce the information contained in the large number of variables into a smaller and more easily managed number of factors or latent variables. The purpose is to combine linear combinations of variables that aid in investigating the interrelationships, and to determine the validity of the constructs and the measurement instruments used to collect the data (Zikmund, 2003).

Confirmatory factor analysis has several advantages. Firstly, confirmatory models have the advantage of taking into account prior knowledge when formulating the model and moreover, these models can open up various methods for testing models and hypotheses (Blunch, 2008).

Secondly, confirmatory factor analysis is considered to be an efficient and popular technique in carrying out a validity assessment of the measured construct. Thirdly, confirmatory factor analysis can be used to assess the level of both convergent and discriminant validity of the measurement constructs. Finally, clear statistical research results can be obtained by being able to separate variance into attribute, method and error components, that is to say through squared factor loadings and error variance analysis (Bagozzi, Yi & Phillips, 1991).

Confirmatory factor analysis was applied both to investigate the factor loading of the 69 items, which comprised 40 items that define service performance, 16 that define cultural orientation, 10 that define corporate reputation and three that define customer satisfaction. Confirmatory factor analysis was used to examine the degree to which multiple measures of the same construct demonstrate agreement or convergence (Hair, Black, Babin & Anderson, 2010). Lastly, structural equation modelling was also applied to investigate the plausibility of the proposed final conceptual model.

4.15 MEASUREMENT INVARIANCE TESTING

Invariance testing refers to the situation whereby under diverse conditions of observing and examining a particular phenomenon, measurement operations should be able to generate measures of the same attribute (Horn & McArdle, 1992). When a measurement instrument fails to be invariant across groups, then its conclusions will tend to be ambiguous and erroneous. Therefore, with multiple-group confirmatory factor analysis, invariance testing is of vital importance for validating assessment between groups compared in the analysis (Chen, 2007; Cheung & Rensvold, 2002; Chen, Sousa & West, 2005). For this particular study, an invariance testing approach was applied using a multiple group confirmatory factor analysis model, where data were collected from two types of customers, namely foreign bank customers and local bank customers.

In other words, if measurement invariance can be inferred, it makes it possible to examine the psychometric properties across diverse groups. Moreover, it ascertains whether the same latent variables – customers' cultural orientations, service performance, customer satisfaction and corporate reputation – have been measured in different groups and that the results can be validly compared (Chen, 2007; Cheung

& Rensvold, 2002; Chen, Sousa & West, 2005). In order to test different research hypotheses, the measurement invariance has to be carried out in different levels which are as discussed hereunder.

In this study, different levels of invariance testing were used, consistent with the approach described by Steenkamp and Baumgartner (1998). The first model tested was configural invariance, which is supported when an acceptable fit is obtained from a multiple group confirmatory factor analysis model of the same form over the two groups of bank customers. If configural invariance is supported by the analysis, it implies that for the two groups investigated, namely foreign and local bank customers, a factor solution was obtained for both groups of respondents with each group having the same pattern of free and fixed parameters (Strasheim, 2011; Cheung & Rensvold, 2002).

The second level of the invariance testing was testing for metric invariance. Under this level, the measurement invariance was investigated by examining the metric equivalence or scale interval equivalence across the two groups of customers. For this level of equivalence, the regression weights of each item are constrained equal across groups (Chen, 2007; Cheung & Rensvold, 2002; Chen, Sousa & West, 2005. This was examined to see whether the rating scale was interpreted in a similar way across the two groups of customers and able to compare the differences between the values directly.

The third level of invariance testing examined was scalar invariance, which was used to establish whether there was consistency in the differences from the observed means between the two groups of customers. Scalar invariance is tested by constraining both the regression weights and the intercepts of the items indicating each latent variable equal. Scalar invariance is essential for mean comparisons between groups to be valid (Steenkamp & Baumgartner, 1998).

The fourth level of invariance was factor covariance invariance and factor variance invariance which were examined to investigate whether the correlations between the latent constructs could be assumed to be the same between two groups of customers. This level of invariance is investigated when, in addition to the constraints placed on the regression weights and the intercepts, the variances and covariances between the latent variables are constrained equal.

Lastly, the fifth level of invariance was error variance invariance, which was examined to establish whether the measurement errors exhibited by the measurement instrument were invariant across the two groups of customers (Steenkamp & Baumgartner, 1998). This last form of invariance is generally not required for valid comparisons between groups.

4.16 SECOND-ORDER FACTOR MODELS

A second-order confirmatory factor analysis model can be used fruitfully to suggest the underlying structure of the pattern of covariance between the first-order latent factors, thereby giving a description of the covariance in a more economical way with fewer parameters (Strasheim, 2011; Chen, Sousa & West, 2005).

Models at the second order level can be applied in the following instances: (a) when factors at the first order level not strongly correlated with each other and (b) when there is another underlying over-arching factor that is considered to account for the associations among factors at the first order level (Chen, Sousa & West, 2005).

Models that examine factors at the second order level tend to have advantages over models with the factors at the first order level. The first advantage is that they can be used to ascertain whether there are patterns of relations between factors at the first order level. Secondly, they tend to explain the covariance structure analysis of the first order factors in a more economical way with fewer parameters. Thirdly, the second order factors tend to take the measurement errors of the specific factors into account, leading to error free estimates of these factors. And lastly, second order factors simplify the interpretations of complex measurement structures (Chen, Sousa & West, 2005).

In this study, tangibles and empathy as the first-order factors clearly arise from the SERVQUAL approach to service quality as proposed by (Parasuraman, Berry & Zeithaml, 1991), while security, innovativeness, service access, physical access and cash distribution as proposed by (Jun & Cai, 2001) were developed from the literature so as to give a true reflection of the Tanzanian banking industry. Some of these first-order factors were seen to be correlated which led to the suggestion that second-order factors may be underlying these dimensions. Cash distribution, service innovation and service access and physical access were proposed to be emanating from an additional second-order factor named service innovation.

4.17 FIT MEASURES IN STRUCTURAL EQUATION MODELLING

When carrying out structural equation modelling (SEM), a particular model is said to fit observed data when the model-implied covariance matrix is very close to the empirical covariance matrix. In other words, the purpose of the structural model is to explain to what extent this structural model fits the sample data (Schermelleh-Engel & Moosbrugger, 2003).

In structural equation modeling, the evaluation of whether the fit of the model is adequate is not a simple matter. This is because over time, several measures of fit have been proposed, and each of them has shortcomings in different situations. It is therefore necessary to take several fit criteria into consideration when evaluating whether a particular model is consistent with the empirical data (Schermelleh-Engel & Moosbrugger, 2003).

The fit measures that were used in this study were the Chi-square statistic values, Incremental Fit Index (IFI), the Tucker-Lewis Fit Index (TLI), the Comparative Fit Index (CFI), and the Root Mean Square Error of Approximation (RMSEA), the Standardised Root Mean Residual (SRMR), as well as the Akaike Information Criterion (AIC). Each of these fit measures is explained in more detail in the paragraphs to follow.

The Chi-square statistical value is determined as an overall measure of the discrepancy from the sample covariance matrix and the model implied covariance matrix, and it forms the base of most of the other fit measures. According to Raykov and Marcoulides (2006), the Chi-square statistic value which shows the discrepancy should ideally be insignificant for the model to fit the data well. However, in situations where large samples are under investigation, it is rare for the Chi-square test to be the only criterion to be relied on for the purpose of examining model fit. A variety of fit measures should then be tested for interpretation purposes in order to assess the suitability of the proposed model.

For the purpose of this study, the values of the ratio of Chi-square to the degrees of freedom were one of the methods used to assess the model's overall fit to the data. One of the cut-off criteria for deciding whether the model fitted the data required the

models to have the value of the ratio of the Chi-square to the degrees of freedom less than 3 (Hu & Bentler, 1999).

Other fit measures that were used to examine whether the models fitted adequately, were the Incremental Fit Index, the Tucker-Lewis Fit Index, and the Comparative Fit Index. The Incremental Fit Index (IFI) can be referred to as a goodness of fit index that examines how well a particular model fits in relation to a baseline model. The Tucker-Lewis Fit Index (TLI) makes a comparison of the values of the normed chi-square that exist between a null and a specified model. This comparison takes some account of model complexity. Lastly, the Comparative Fit Index (CFI). These fit indices provide the relative improvement in fit of the researcher's model compared to a statistical baseline model (Hu & Bentler, 1999; Hair, *et al.*, 2010).

In this study, the criteria for good fit was based on the three relative fit indices IFI, TLI and CFI, all of which have fit indices that range between 0 and 1. The closer these values are to the value of 1, the more acceptable the model fit. According to Hu and Bentler (1999) and these values needed to be higher than 0.9, the recommended threshold for reasonable fit, and above 0.95 for excellent fit. It should however be remembered that in some situations, the values of TLI can be more than 1, and this normally happens when a particular model is over-specified (Strasheim, 2014).

The parsimony adjusted measures are adjusted for the number of parameters in a model, and they are particularly useful when nested models are compared. Generally the larger the parsimony fit indices, the more appropriate the model.

Another alternative fit measure that was examined was the Root Mean Square Error Approximation (RMSEA). This fit measure falls under the fit measures based on the non-central Chi-square distribution that supports the fact that no model can be

'correct' but rather can only be 'approximately' correct. The RMSEA can be applied to measure how well a particular model fits the entire population under examination, and not just a sample applied for the purpose of estimation. With the RMSEA, values less than 0.05 are usually indicative of a good fit, values between 0.05 and 0.08 usually indicate a reasonable fit, values above 0.08 indicate a mediocre fit and values >0.10 indicate a poor fit (Diamantopolous & Siguaw, 2000).

According to Browne (2015), the Standardised Root Mean Residual (SRMR) can be considered to be the average discrepancy between the correlations of the observed data versus the correlation matrix implied by the model. Hu and Bentler (1999) suggest that a model with an SRMR of less than 0.08 can be deemed as good fit between the model and the data.

The Akaike Information Criterion (AIC) is useful to compare models that are based on the same covariance matrix, and can be used to compare models that are not nested. The AIC adjusts the Chi-square for the number of estimated parameters. The model with the smallest AIC value is the preferred model. (Schermelleh-Engel & Moosbrugger, 2003).

4.18 MODERATION ANALYSIS

When carrying out statistical analysis in social sciences research, moderation can be present in the structural relationship between a predictor variable and an outcome variable. A moderating variable is therefore one that is able to change a particular structural relationship by either increasing or decreasing the already established effects of the predictor variable on the outcome variable. Therefore, the moderating variable has an effect on the strength of the structural relationship between the predictor variable and the outcome variable (Strasheim, 2014).

The moderation analysis is carried out so as to be able to dissect and understand both contextual and situational attributes that might influence the strength of the structural relationship in the nomological net. This is because the moderation analysis facilitates an understanding of the circumstances under which the nomological net operates which in turn reveals the contextual or situational attributes under which key interventions may or may not influence the key outcome variables (Strasheim, 2014).

This particular study examines the moderating role of the type of bank on the relationships between personal cultural values, perceptions of service performance, customer satisfaction and corporate reputation.

When a moderating variable is a grouping variable, as in this study, an appropriate approach is to make use of multi-group structural equation modelling. In this type of analysis, the inclusion of the latent variable means in the predictor variables and intercept values in the outcome variables is of vital importance in understanding all the effects of the moderating variable in a particular structural model. However, although the inclusion of these parameters was ignored in earlier structural equation model analysis, their inclusion in the moderation analysis is important for obtaining a full understanding of the role of the moderating variable in multi-group applications of structural equation models. The differences as found in the latent variable means and intercepts of the outcome variables, provide additional understanding in multi-group structural models (Strasheim, 2014).

Consistent with the approach suggested by Strasheim (2014), a total of twelve different Means, Intercepts and Slopes (MIS) models were fitted and compared to find the most suitable model for the moderation analysis. Each MIS model represented a structural relationship model that is fitted to data in which specified

combinations of parameters are constrained to be equal across the two groups of banks. The MIS models involve a subsequent testing in which all the means, intercepts and slopes at the structural part of the model are allowed to be freely estimated, and where either the means or the intercepts or the slopes or a combination of these parameters are constrained equal in order to investigate the moderating role of the type of bank on each of the relationships where a moderating role is investigated. The MIS models are nested in a particular pattern to allow the testing for differences in structural relationships using nested model comparisons based on the Chi-square difference test.

All these twelve MIS models were examined based on measurement models where it was reasonable to assume that there was measurement invariance across the two groups of banks as based on the fit values. The invariance testing procedure that was used began with testing for configural invariance, metric invariance until at least scalar invariance provided adequate fit using the conventional fit criteria discussed in Section 4.17 and approaches discussed in Sections 4.15 and 4.16. The measurement model parameters, in terms of measurement regression weights and measurement intercepts were constrained equal across these two groups, in order to allow a rigorous assessment of the structural parameters.

4.19 RELIABILITY OF RESEARCH INSTRUMENTS

Reliability is about the extent to which the measurement instrument of a particular phenomenon gives stable research results (Wilson, 2010). In other words, reliability can be defined as the extent to which measurement instruments are free from errors and hence generate consistent measures (Zikmund, 2003). Furthermore, reliability plays a significant role in influencing validity levels of research instruments. However, there is not a single condition that guarantees validity adequately.

4.19.1 Repeatability

Repeatability is relevant in a test-retest research method. It means administering the measurement instrument to the same respondent two or more times in order to investigate its consistency (Zikmund, 2003). If the measurement instrument is consistent over time, and if the surrounding conditions also remain unchanged, then the same research results should be generated. The test-retest method is considered to be more appropriate when carrying out longitudinal studies, which require the researcher to collect data from the same respondent under the same conditions over a period of time (Wilson, 2010).

In this study, the test-retest method was considered inappropriate as the study was cross-sectional in nature as it collected data at one specific point in time.

4.19.2 Internal Consistency Reliability

According to Cooper and Schindler (2006), there are several mathematical methods that can be applied to measure the internal reliability of a measurement instrument. These methods include the Pearson reliability method, the Spearman-Brown reliability method and the Cronbach alpha reliability method (Eising, Grotenhuis & Pelzer, 2013).

Cronbach's alpha is the most suitable and most widely applied estimate to examine the internal consistency of a measure (Bryman & Bell, 2007; Eising, *et al*., 2013). A Cronbach's alpha coefficient ranges between 0 and 1, with 1 indicating perfect internal reliability and 0 indicating no internal reliability. A Cronbach's alpha

coefficient value of 0.7 is normally used as a basic rule to indicate a suitable level of internal consistency reliability (Peterson, 1994), although different scholars accept a Cronbach's alpha coefficient value as low as 0.6, especially when an instrument is new, and if only a few items are involved in its calculation (Field, 2009). In this particular study, Cronbach's alpha coefficient values were calculated in order to test the internal reliability of the concepts used. The highest was 0.907 and the lowest was 0.689, indicating that the internal reliability of the measurement instrument was sufficient to be used for further analysis (see Chapter 5).

4.20 VALIDITY OF THE RESEARCH INSTRUMENTS

The validity of a research instrument is defined as the degree to which it gives a true reflection or assessment of the specific research constructs that the researcher is trying to examine. While the reliability of the research instrument is applied in evaluating its accuracy, validity is applied when examining a study's achievement at measuring what a researcher intended to measure (Cooper & Schindler, 2006; Zikmund, 2003).

4.20.1 Content Validity

Content validity shows how well a research instrument or method collects appropriate information that is essential in addressing the specific issues of a particular study. The main attention of face validity is how well the research instrument is able to capture the appropriate information researchers are trying to obtain. Cooper and Schindler (2006) state that a research instrument with adequate content validity should provide sufficient coverage of the investigative research questions governing a particular study.

Based on these points, the content validity for this study can only be assumed to hold if the items in the measurement instrument that was used during the interviews sufficiently cover the research constructs, namely corporate reputation, personal cultural orientation, service performance, customer satisfaction and corporate reputation.

Zikmund (2003) argued that the content validity of a research instrument depends on a common understanding that scholars hold on whether the items in a research instrument measure what they intend to measure. Cooper and Schindler (2006) argued that, content validity of the research instrument can be determined in two main ways, the first is based on the judgment of the researcher on the instrument and the second one is by the researcher's investigation of current literature.

In this study, there was a combination of both researcher's expertise and researcher's judgment. The scholar's judgment was entirely dependent on the application of the research measurement instruments developed by leading scholars in their respective fields, as argued in Chapter 3. Specifically, there was an adoption of the research measurement instruments that were applied to measure personal cultural orientation, service performance, customer satisfaction and corporate reputation in previous studies.

4.20.2 Construct Validity

Zikmund (2003) describes construct validity as the extent to which a research measurement instrument confirms that a group of closely related hypotheses are created from a theory that describes the construct under examination. Construct validity indicates that the research findings generated by the research measurement instrument are in line with the fundamental theories about the concept. Sekaran

(1992) argues that construct validity verifies the degree to which research findings fall under the fundamental theories of a particular study.

Based on this explanation of construct validity, the researcher had to ensure construct validity in the following ways: firstly, clear definitions of various research items were established; secondly, precise research questions that could be clearly understood were formulated; and finally, practical research objectives were stated to guarantee that the data collected would give the findings that would address the research problem at hand.

4.20.3 Discriminant and Convergent Validity

Discriminant validity can be defined as the extent to which a particular latent variable differentiates (discriminates) itself from other latent variables of a particular study (Fornell & Larcker, 1981; Farrel, 2010). Convergent validity has to do with whether two measures that measure the same construct are highly correlated.

Fornell and Larcker (1981) developed and approach that is very useful for an evaluation of the measurement model is appropriate in terms of its validity and reliability. The composite reliability (CR) of a construct is a function of the standardized regression weights and the estimated error variances, where

$$CR = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum \varepsilon_i}$$

In this equation, λ_i is the standardized factor loading and ε_i is the error variance of the indicator. According to Fornell and Larcker (1981), the composite reliability is a function of the sum of the standardised loadings and the sum of the measurement

error variances, and when the composite reliability CR of a construct is more than 0.5, it provides support for the convergent validity of the construct.

In addition, Fornell and Larker (1981) pointed out that the average variance extracted provides additional information about the amount of variance that is captured by the construct in relation to the amount of variance due to measurement error. The average variance extracted (AVE) is a function of the ratio of sum of squared loadings of the standardized regression coefficients, and the sum of the measurement error variances. AVE is calculated as

$$AVE = \frac{\sum \lambda_i^{\,2}}{\sum \lambda_i^{\,2} + \sum \varepsilon_i}$$

and according to Fornell and Larker (1981), AVE is always more conservative (or smaller) than the composite reliability CR.

Shared variance (as reflected in AVE) indicates the amount of variance that a particular latent variable is capable of explaining, regarding another latent variable in a conceptual framework (Farrel, 2010). AVE is useful to assess the discriminant validity of a construct, by comparing AVE with the highest correlation of the construct with the other constructs. Discriminant validity is supported when AVE more than the maximum correlation with the remaining constructs (Fornell and Larcker, 1981).

In this study, the discriminant validity of the constructs of cultural orientations and service performance were evaluated based on the approach suggested by Fornell and Larker (1981).

4.21 FINAL MEASUREMENT INSTRUMENT

In order for a particular study to be credible, the research findings should be generated through a research process that guarantees reliability, validity and practicality. Cooper and Schindler (2006) suggested three main ways by which the practicality of a research process can be assessed, and these are, economic considerations, the suitability of the questionnaire during interviews and the effort required during the interpretation of the research findings.

The number of items in a questionnaire influences the time spent during the interviewing process. However, the reliability of the research results as generated by the questionnaires is also influenced by the number of items; that is, the more items for a given construct, the greater the reliability of the questionnaire. Therefore, in any research process, there has to be a balance between the number of items in the questionnaire, and the time spent in the interviewing process. In this study, economic considerations limited the number of items per construct so as to reduce the length of an interview. Enough items were included in the questionnaire, however, to avoid compromising its reliability.

A measuring research instrument is considered suitable if it can be administered easily (Cooper & Schindler, 2001). Therefore, the questionnaire used in this study had a clear layout, while using a seven point Likert scale made it easy for the respondents to complete it. There were no open-ended questions. Written guidelines were provided for completing sections that could possibly be misunderstood. Moreover, the pilot study was carried out so as to refine the questionnaire and rephrase any questions that were ambiguous.

The questionnaire was divided in the following parts: background information, which consisted of age, gender; name of the bank that the customers were using; customer type; type of the bank accounts kept by the customer; technology used by customers for the banking interface. These were followed by questions relating to service quality perceptions, personal cultural orientation, corporate reputation and overall customer satisfaction. Addendum A contains the specific questions.

4.22 ETHICAL CONSIDERATIONS

It is of vital importance to highlight the ethical considerations in regard to a particular research project to ensure that it is carried out correctly and in a moral and responsible manner.

A total of 30 listed commercial banks were approached by the researcher to obtain their consent for the researcher to do a survey and interview their customers at the banking location. Fourteen listed commercial banks agreed to participate and gave the researcher formal permission to carry out the study. Consent was requested from each of the respondents who participated in this study. They were told that they had the right to choose either to be interviewed or not to be interviewed and that they could withdraw from participating at any time. Respondents who agreed to participate received an informed consent form that gave an outline of the study. They were required to sign this form showing that they agreed to the terms and conditions. The researcher, through his physical presence during data collection, made the assumption that all the respondents who participated in the study were mentally and legally capable of understanding the terms and conditions of participating in it.

A second concern on ethical issues was that the researcher had to explain the purpose and benefits of the study to the respondents, while being careful to neither

overstate nor understate the benefits. This explanation ensured that participants were at ease, letting them answer the questions honestly and truthfully.

Finally, this study had to ensure respondents' right to privacy. No names were written on the self-administered questionnaire to identify the respondents, since the respondents' confidentiality is an important aspect in ensuring the credibility this research.

4.23 CHAPTER SUMMARY

This chapter described the research methodology that was applied in this study. It provided the research questions that motivated the study, followed by the hypotheses guiding the study. Moreover, the chapter gave a description of the research design and sampling strategies applied to select the sample from the population. This chapter also clarified the research instruments used during data collection and how their credibility was ensured. The method for data analysis was also presented and how both descriptive and inferential statistical analyses were undertaken

CHAPTER 5
MEASUREMENT MODELS

5.1 INTRODUCTION

This chapter presents the findings from the empirical part of the research. The chapter involves the reporting of the reliability analyses which was carried out to examine the internal consistency of the measurement instrument as well as the confirmatory factor analyses (CFA) which were conducted to assess the psychometric properties of the constructs of interest in the study. As a result of the CFA analyses, it was possible to establish the measurement models that are to be used in Chapter 6, where the substantive hypotheses are tested. In all the results reported in Chapter 5, the sample size was 196 local bank customers and 184 foreign bank customers, yielding a total of 380 complete responses.

5.2 RELIABILITY ANALYSIS

Before the measurement models are evaluated for their psychometric properties, the internal consistency reliabilities were calculated based on the initial conceptualisation and measures of the subscales for each of the constructs as derived from the literature. These results are presented in Table 5.1.

5.2.1 Reliability Analysis prior to Confirmatory Factor Analysis

The reliability coefficients were examined at two main stages. The first was before carrying out the confirmatory factor analysis and the second was after the confirmatory factor analysis. During the confirmatory factor analysis, the models were slightly altered from their initial conceptualization. It was therefore also appropriate to estimate the Cronbach's alpha for each construct after the psychometric analysis of each measurement model is presented.

Table 5.1 contains results for the internal consistency reliabilities of the subscales of the measures for service performance; personal cultural orientations, customer

satisfaction and corporate reputation, based upon the initial items for each construct as measured in the sample.

Table 5.1: Results of initial reliability analysis of subscales

Dimension	Items	Items to be deleted	Cronbach's Coefficient Alpha	Pearson Correlation Coefficient	Spearman-Brown reliability
SERVICE PERFORMANCE			N=380		
Tangibles	B1, B2, B3, B5, B14	B4	0.867		
Access	B6, B7, B9, B10, B11, B12, B8, B26		0.826		
Assurance	B13, B18, B19		0.810		
Empathy	B15, B16, B17, B20, B23		0.910		
Responsiveness	B21, B24, B25, B37, B38, B39		0.853		
Reliability	B22, B40		0.757	0.609	0.757
Efficiency	B27, B28		0.779	0.646	0.785
Security	B31, B32		0.862	0.758	0.862
Innovativeness	B33, B34, B35	B36	0.842		
Convenience	B29, B30		0.327	0.198	0.331
PERSONAL CULTURAL ORIENTATIONS					
Tradition	D1, D2, D3, D4		0.868		
Prudence	D5, D6, D8	D7	0.794		
Interdependence	D9, D10, D11, D12		0.857		
Consumer Innovativeness	D13, D14, D15, D16		0.799		
CORPORATE REPUTATION					
Reliable and financially strong company	E2, E3	E1	0.842	0.775	0.873
Market offering	E4, E5		0.889	0.800	0.889
Social and environmental responsibility	E6, E7		0.710	0.550	0.710
Trust	E9, E10		0.724	0.567	0.724
CUSTOMER SATISFACTION	F1, F2, F3		0.858		

All the service performance dimensions in Table 5.1 yielded acceptable estimates of Cronbach's coefficient alpha values that were more than 0.7. In the service performance dimension, empathy of service employees had the highest Cronbach's coefficient alpha value of 0.910. The lowest Cronbach's coefficient alpha value, 0.757, was for the measure of the reliability of the services delivered. The alpha values of the service performance dimensions, namely tangibles, access, assurance, responsiveness, reliability, efficiency, security and innovativeness, ranged between 0.757 and 0.867.

As shown in Table 5.1, in the tangibles dimension of service performance, item B4, which contained aspects such as spaciousness and ability to accommodate a large number of customers, was excluded in further analysis. Also excluded was item B36, in the innovativeness dimension, which was about the variety of services that the bank offers to customers. Their exclusion resulted in an increase in the Cronbach's coefficient alpha values, and, from closer scrutiny of item content, their inclusion did not make sense in terms of the dimension being measured.

However, the convenience dimension, with two items (B29 and B30), was about the convenience of working hours of the banks and about the availability of banks during weekends and public holidays. This dimension had to be disregarded altogether in further analyses, since the Cronbach's coefficient alpha value of 0.327 was not acceptable considering the standard cut-off criterion of 0.70 suggested by Peterson (1994).

From Table 5.1, for Sharma's (2010) measure of personal cultural orientations dimension, the highest Cronbach's coefficient alpha value of 0.868 was obtained for the tradition dimension. The lowest was for the dimension of prudence, which had a Cronbach's coefficient alpha value of 0.794. However, in the prudence dimension,

based on the Cronbach's coefficient alpha value if the item was deleted, item D7, which was about customers' willingness to give up today's fun for achieving success in the future, was excluded in further analyses.

The internal consistency reliability of the dimensions of corporate reputation ranged between 0.710 and 0.889. Item E1, which was about the bank's ability to outperform competitors, was excluded due to a lowering of the Cronbach's coefficient alpha value if the item was included in the dimension "reliable and financially strong".

Finally, the measure of customer satisfaction had three measurement items. F1 was about the quality of the banks' services; F2 was about customers' feelings towards banks' services, and F3 was about the possibility of customers continuing to using the bank's services in the future. The Cronbach's coefficient alpha value of 0.858 was substantially higher than the recommended cut-off point of 0.7.

The remainder of this chapter presents a validity assessment using AMOS 22 to conduct confirmatory factor analyses of the four key concepts that were used in this study, and the particular measurement models and the corresponding chapter sections are summarised in Table 5.2.

Table 5.2: Constructs measured in the study

CONSTRUCT	Section
SERVICE PERFORMANCE	**5.3**
A first-order confirmatory factor analysis of service quality	5.3.1
A second-order confirmatory factor analysis of service quality	5.3.2
CULTURAL ORIENTATION	**5.4**
A first-order confirmatory factor analysis of cultural orientation	5.4.1
CORPORATE REPUTATION	**5.5**
A first-order confirmatory factor analysis of corporate reputation	5.5.1
CUSTOMER SATISFACTION	**5.6**
A first-order confirmatory factor analysis of customer satisfaction	5.6.1

5.3 THE MEASUREMENT MODEL OF SERVICE PERFORMANCE

5.3.1 A First-Order Confirmatory Factor Analysis of Service Performance Dimensions

The model to measure the dimensions of service performance that was initially suggested did not fit the data very well using first-order confirmatory factor analysis. Several alternative models were then investigated in a model-generating approach (Byrne, 1998), until a feasible model was obtained that was closely aligned with that suggested in the literature and that made sense from a theoretical perspective. This model is shown in Figure 5.1. The parameter estimates and fit statistics of the seven-

dimensional model is presented in this section. In this model, items B4 and B36 were excluded, based on the reliability results shown in Table 5.1.

Figure 5.1: A first-order confirmatory factor analysis measurement model of service performance

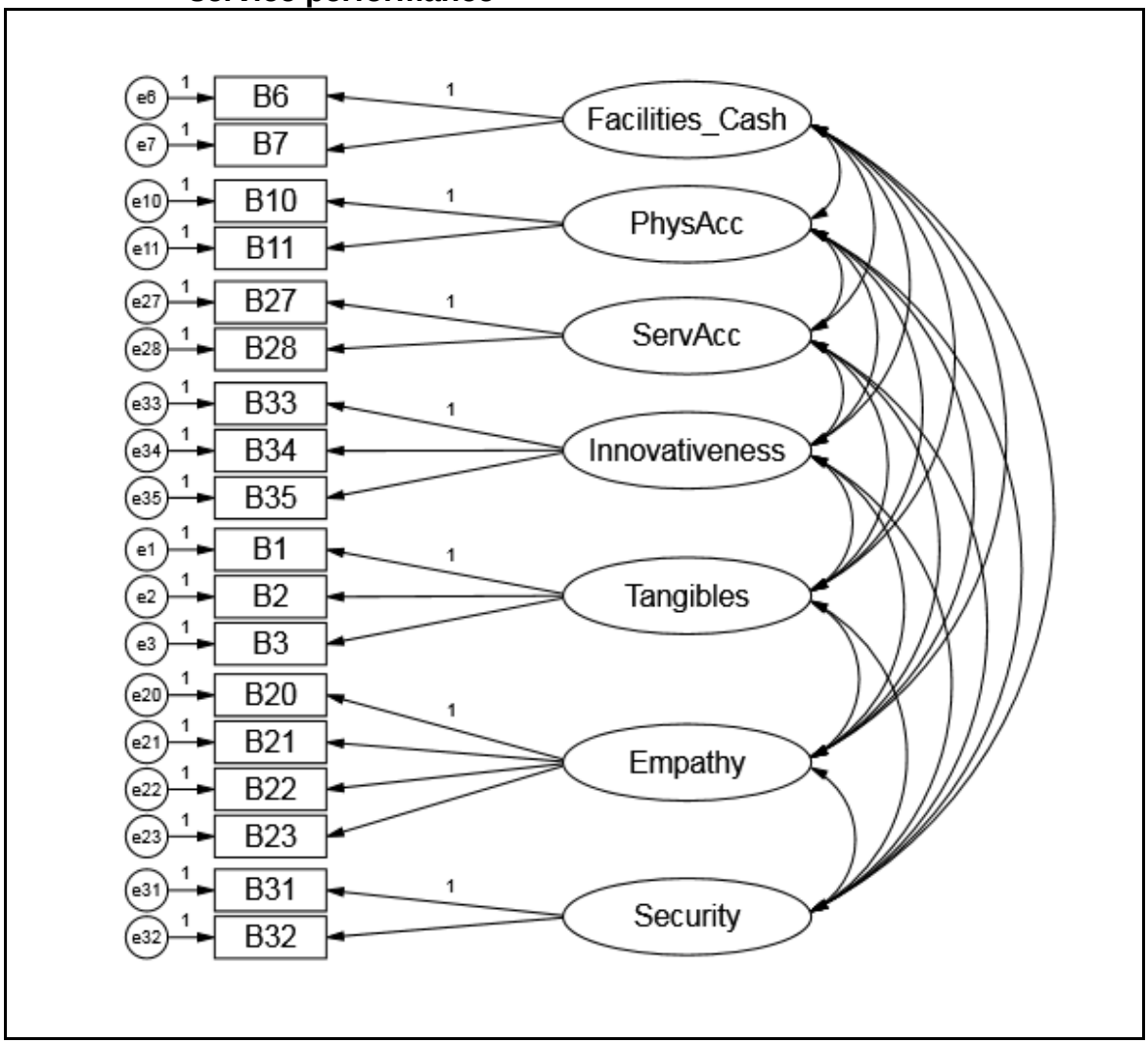


Figure 5.1 presents the first-order confirmatory factor analysis model of service performance that was considered relevant for this study of banking services in Tanzania. This model presents a total of seven inter-related latent constructs.

Specifically, these latent constructs are facilities for cash distribution, physical access, service access, innovativeness, tangibles, empathy and security.

The double-headed arrows between the latent variables represent the relationships between the latent constructs, and the parameters involved are the covariances between the latent variables. The reflective model has arrows emanating from the latent variables to each of the indicator variable items, and the parameters involved are regression coefficients. Each measured variable has an error term which is shown by a symbol *e* in the diagram, and this allows for measurement error to be included in the model, one of the major strengths of confirmatory factor analysis. The error term represents the extent to which the latent construct does not explain the measured variable due to extraneous factors (Hair, Black, Babin & Anderson, 2010).

5.3.2 Testing for the Assumption of Normality of the Items of Service Performance

A key assumption in structural equation modelling is that the variables measured possess multivariate normality. Excessive multivariate kurtosis has an effect on the validity of significance tests of the estimated parameters in structural equation models, when maximum likelihood estimation is used (Byrne, 2010). It is therefore important to test whether multivariate normality is a reasonable assumption prior to conducting confirmatory factor analysis. Table 5.3 provides an assessment of whether the items can be assumed to follow the normal distribution for both banks combined. This was done in order to examine whether the data in question exhibit multivariate normality, an assumption which is considered to be important when conducting structural equation modelling analyses in general and specifically when AMOS is applied (West, Finch & Curran, 1995).

The results of the skewness and kurtosis of the observed indicators are presented in Table 5.3 for both local and foreign banks, and individually for local banks in Table 5.4 and for foreign banks in Table 5.5. The results suggest that for the items that were used to measure service performance, there were not serious departure from a multivariate normal distribution, and therefore, maximum likelihood estimation would be appropriate.

Table 5.3: Assessment of normality of service performance items for both groups

VARIABLE	MIN	MAX	SKEW	C.R.	KURTOSIS	C.R.
B23	1.000	7.000	-0.354	-2.819	-0.523	-2.080
B22	1.000	7.000	-0.280	-2.226	-0.578	-2.298
B20	1.000	7.000	-0.451	-3.591	-0.479	-1.908
B21	1.000	7.000	-0.426	-3.390	-0.325	-1.295
B35	1.000	7.000	-0.419	-3.338	-0.049	-0.194
B33	1.000	7.000	-0.469	-3.729	0.000	0.000
B34	1.000	7.000	-0.066	-0.525	-0.470	-1.869
B3	1.000	7.000	-0.575	-4.574	-0.070	-0.278
B1	1.000	7.000	-0.298	-2.375	-0.572	-2.276
B2	1.000	7.000	-0.378	-3.012	-0.455	-1.810
B28	1.000	7.000	-0.385	-3.061	-0.790	-3.143
B27	1.000	7.000	-0.366	-2.913	-0.325	-1.293
B11	1.000	7.000	-0.295	-2.345	-0.749	-2.981
B10	1.000	7.000	-0.301	-2.395	-0.606	-2.412
B6	1.000	7.000	-0.330	-2.628	-0.681	-2.712
B7	1.000	7.000	-0.415	-3.300	-0.521	-2.074
B31	1.000	7.000	-0.527	-4.197	-0.148	-0.589
B32	1.000	7.000	-0.548	-4.364	-0.354	-1.409
Multivariate					159.338	57.878

In this study, the kurtosis values were applied for interpretation. As shown in Table 5.3, one of the kurtosis values was 0.000, while negative values ranged from –0.790 to –0.049. According to West, *et al*., (1995), non-zero values which are equal to or greater than 7 usually indicate a departure from normality. Therefore, based on this value of 7 as a guideline, the kurtosis values shown in the table reveal no measurement item to be substantially kurtotic for the entire sample. In Table 5.4, negative values ranged from –0.817 to –0.124 with the positive values being between 0.002 and 0.081. These suggest that there are not serious violations of univariate normality in the sample from the local banks.

Table 5.4: Assessment of normality of the service performance items for the local banks

VARIABLE	MIN	MAX	SKEW	C.R.	KURTOSIS	C.R.
B23	1.000	7.000	-0.175	-1.001	-0.568	-1.623
B22	1.000	7.000	-0.220	-1.256	-0.423	-1.210
B20	1.000	7.000	-0.292	-1.670	-0.573	-1.639
B21	1.000	7.000	-0.315	-1.803	-0.410	-1.172
B35	1.000	7.000	-0.316	-1.804	0.002	0.004
B33	1.000	7.000	-0.425	-2.428	0.081	0.232
B34	1.000	7.000	0.000	0.001	-0.246	-0.703
B3	1.000	7.000	-0.461	-2.637	-0.124	-0.354
B1	1.000	7.000	-0.186	-1.066	-0.378	-1.079
B2	1.000	7.000	-0.150	-0.859	-0.419	-1.197
B28	1.000	7.000	-0.273	-1.558	-0.817	-2.335
B27	1.000	7.000	-0.299	-1.707	-0.363	-1.037
B11	1.000	7.000	-0.264	-1.511	-0.766	-2.190
B10	1.000	7.000	-0.154	-0.882	-0.607	-1.735
B6	1.000	7.000	-0.294	-1.678	-0.658	-1.881
B7	1.000	7.000	-0.423	-2.420	-0.417	-1.191
B31	1.000	7.000	-0.336	-1.918	-0.297	-0.848
B32	2.000	7.000	-0.320	-1.831	-0.726	-2.075
Multivariate					131.663	34.348

An assessment of the normality of the items for the foreign banks was also carried out as shown in Table 5.5.

From Table 5.5, kurtosis values showed that univariate normality can be assumed of the measurement items of service performance for the foreign banks as the kurtosis values were all far below the cut-off point of 7 as recommended by West, *et al*., (1995).

Table 5.5: Assessment of normality of service performance for foreign banks

VARIABLE	MIN	MAX	SKEWNESS	C.R.	KURTOSIS	C.R.
B23	1.000	7.000	-0.582	-3.225	-0.233	-0.644
B22	1.000	7.000	-0.347	-1.919	-0.723	-2.003
B20	1.000	7.000	-0.633	-3.504	-0.248	-0.688
B21	1.000	7.000	-0.551	-3.051	-0.161	-0.447
B35	1.000	7.000	-0.553	-3.060	0.000	-0.001
B33	1.000	7.000	-0.540	-2.989	-0.023	-0.064
B34	1.000	7.000	-0.159	-0.878	-0.638	-1.765
B3	1.000	7.000	-0.707	-3.916	0.066	0.182
B1	1.000	7.000	-0.427	-2.365	-0.684	-1.893
B2	1.000	7.000	-0.586	-3.247	-0.454	-1.258
B28	1.000	7.000	-0.515	-2.851	-0.700	-1.939
B27	1.000	7.000	-0.438	-2.427	-0.248	-0.688
B11	1.000	7.000	-0.340	-1.883	-0.724	-2.003
B10	1.000	7.000	-0.465	-2.576	-0.521	-1.443
B6	1.000	7.000	-0.376	-2.084	-0.713	-1.975
B7	1.000	7.000	-0.442	-2.447	-0.634	-1.756
B31	1.000	7.000	-0.737	-4.083	0.108	0.299
B32	1.000	7.000	-0.740	-4.096	-0.089	-0.246
Multivariate					143.162	36.186

5.3.3 Measurement Invariance of the First-Order Confirmatory Factor Analysis of Service Performance

Before it is valid to compare local and foreign banks, it is important to test whether the scale of service performance possesses measurement invariance across the two groups of banks, in order to ensure that equivalence is a reasonable assumption to make (Steenkamp and Baumgartner, 1998).

Using the approach suggested by Steenkamp and Baumgartner (1998), invariance testing was applied on the model presented in Figure 5.1. Table 5.6 presents the fit measures of the invariance testing results the first-order confirmatory factor analysis model of service performance over local and foreign banks. From the fit measures, it is clear that as increasing constraints were placed on the model parameters, the Chi-square statistic increased, the number of parameters to be estimated decreased, and correspondingly, the degrees of freedom increased, as would be expected due to the increasing number of constraints. The Chi-square statistic reflects the discrepancy between the observed covariance matrix of the indicator variables, and the model implied covariance matrix. Raykov and Marcoulides (2006) stated that the Chi-square test should ideally not be significant when the model fits the data well. However, in large samples it is rare that the Chi-square test can be relied on for the purpose of evaluating model fit. Therefore, a variety of fit measures need to be interpreted in addition to the Chi-square test, in order to assess the suitability of a proposed model (Bollen, 1989; Hu and Bentler, 1999).

Table 5.6: Fit measures of the invariance testing of the first-order confirmatory factor analysis model of service performance

	Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
M0	Unconstrained	150	401.1	228	0.000	1.759	701.1
M1	Measurement weights	139	414.6	239	0.000	1.735	692.6
M2	Measurement intercepts	128	430.2	250	0.000	1.721	686.2
M3	Structural means	121	442.9	257	0.000	1.723	684.9
M4	Structural covariances	93	489.1	285	0.000	1.716	675.1
M5	Measurement residuals	75	525.2	303	0.000	1.733	675.2
	Saturated model	378	0	0			756.0
	Independence model	72	4457.7	306	0.000	14.568	4601.7

The fit statistics in the first row in Table 5.6, was an unconstrained model (M0) of the same form that was fitted for both local and foreign banks simultaneously. This model tested whether the two customer groups (local banks and foreign banks), could be modelled as having a similar factorial structure on the expanded service performance measure. The next model, M1, is the measurement weights model, which tests whether it is reasonable to assume that the values of the factor loadings were invariant (or equal) across the two groups. In other words, this measures whether the descriptors and the intervals that were used on the measurement instruments were understood in the same way by both groups (Steenkamp and Baumgartner, 1998). In the measurement intercepts model, M2, the measurement intercepts and the measurement weights were constrained to be equal. When the *measurement intercepts* model M2 is tenable, it can be assumed that the scales of the measurement instruments had the same origin across the two groups, and that the measurement items are similarly understood. Only when model M2 is tenable and fits the data adequately, is it valid to compare model implied means across groups (Steenkamp and Baumgartner, 1998). Model M3 constrained the structural means equal across groups. If this model fits significantly worse than the measurement intercept model M2, it can be assumed that the latent variable means are significantly

different across the groups (Strasheim, 2011). The fifth model constrained the structural covariances between the latent constructs equal, as well as the variances of the latent constructs. The sixth model constrained the error variances equal across the groups, which is also known as the complete invariance model. If this model fits the data well, it can be inferred that the instruments are equally reliable across the groups (Steenkamp and Baumgartner, 1998).

For the purpose of this study, the values of the ratio of Chi-square to the degrees of freedom were also used to assess the model's overall suitability for explaining the covariances between items. These models had to fit the data well in order to assume that the measurement instrument applied during the survey had measurement invariance across the two groups. The cut-off criteria for deciding whether the model fitted the data required the models to have the value of the ratio of Chi-square to the degrees of freedom to be less than 3 (Hu & Bentler, 1999).

In Table 5.6, the value of the ratio of the Chi-square to the degrees of freedom for the unconstrained model was 1.759; for the measurement weights model, this ratio was 1.735 and lastly, for the measurement intercepts model the ratio was 1.721. All these values were below the cut-off point of 3.0 and therefore indicated that the models fitted the data well. This meant that the unconstrained model, the measurement weights model and the measurement intercepts model could be viewed as tenable models for customers of both local and foreign banks. The results suggest therefore that it is allowable to assume that the measurement instrument that was used had the same factorial structure between the local banks' customers and the foreign banks' customers, the descriptors used and the intervals that were on the measurement instrument were understood in the same way between these two groups of customers and lastly, the measurement instrument used to interview local banks' customers and foreign banks' customers had the same origin for these two groups. Under these

assumptions, it would be valid to compare means across the samples, based on the CFA model fitted (Steenkamp & Baumgartner, 1998).

Table 5.7 provides alternative fit measures of the confirmatory factor analysis model, for each of the invariance testing models. The fit measures presented includes the Incremental Fit Index (IFI), the Tucker and Lewis Index (TLI) and the Comparative Fit Index (CFI).

The Incremental Fit Index (IFI) can be referred to as a goodness of fit index that examines how well a particular model fits in relation to a baseline model. The Tucker-Lewis Fit Index (TLI) is a fit index that makes a comparison of the values of the normed-Chi square that exist between a null and specified model, a comparison that to some extent takes account of the model complexity, and lastly, the Comparative Fit Index (CFI), sometimes referred to as an Incremental Fit Index, which is considered to be an improved version of the normed fit index. This fit index shows the relative improvement in fit of the researcher's model while being compared to a statistical baseline model (Raykov & Marcoulides, 2006).

In this study, the criteria for good fit based on these three fit indices showed values which were higher than 0.90 above the recommended threshold (Hu & Bentler, 1999).

Another alternative fit measure that was used is the Root Mean Square Error of Approximation (RMSEA). This fit measure falls under the fit measures based on the non-central Chi-square distribution, which assumes that no model can be 'correct' but can rather only be 'approximately' correct. The Root Mean Square Error of Approximation can be applied to show how well a particular model fits the entire population under examination, and not just a sample applied for the purpose of

estimation (Hair, *et al.*, 2010). With the Root Mean Square Error of Approximation, values that are less than 0.05 are usually indicative of a good fit; values between 0.05 and 0.08 usually indicate a reasonable fit; values that are above 0.08 indicate a mediocre fit and values >0.10 indicate a poor fit (Hu and Bentler, 1999; Diamantopoulos & Siguaw, 2000). Table 5.7 presents the resulting fit measures for each of the increasingly restrictive invariance models.

Table 5.7: Other fit measures of the first-order confirmatory factor analysis model of service performance

	Baseline Comparisons				
	Model	**IFI**	**TLI**	**CFI**	**SRMR**
M0	Unconstrained	0.959	0.944	0.958	0.0514
M1	Measurement weights	0.958	0.946	0.958	0.0490
M2	Measurement intercepts	0.957	0.947	0.957	0.0489
M3	Structural means	0.956	0.947	0.955	0.0489
M4	Structural covariances	0.951	0.947	0.951	0.0751
M5	Measurement residuals	0.947	0.946	0.946	0.0761
	Saturated model	1.000		1.000	
	Independence model	0.000	0.000	0.000	
	RMSEA				
	Model	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
M0	Unconstrained	0.045	0.038	0.052	0.880
M1	Measurement weights	0.044	0.037	0.051	0.915
M2	Measurement intercepts	0.044	0.037	0.051	0.934
M3	Structural means	0.044	0.037	0.051	0.934
M4	Structural covariances	0.044	0.037	0.050	0.950
M5	Measurement residuals	0.044	0.038	0.050	0.941
	Independence model	0.189	0.185	0.194	0.000

Based on the baseline comparisons depicted in Table 5.7 all six models have values of IFI, TLI and CFI which were higher than the recommended threshold of 0.90. In fact most of the fit measures were above or very close to 0.95, indicating very good fit. However, as increasing restrictions are imposed on the model, the baseline fit

measures all decrease slightly, as would be expected. The most constrained model, where the measurement residuals were constrained equal, also fitted the data very well according to generally accepted norms of fit criteria (Hu and Bentler, 1999).

The RMSEA values of all six models M0 to M5 were between 0.044 and 0.045. That all these values were below 0.05 also indicates a good fit of the model to the data. The fit measures suggest that the measurement model in Figure 5.1 provides a plausible explanation of how service performance can be conceptualised for the customers of both local and foreign banks operating in Tanzania, and the model can be assumed to have measurement invariance for both local and foreign bank customers. The SRMR was also below 0.08 for all the models.

When various invariance models are interpreted, it is best to make use of the Chi-square difference test (Strasheim, 2014). This test allows the user to consider whether the incremental restrictions of the model parameters resulted in fit that is significantly worse than in the preceding model. Moreover, the Chi-square difference test is useful in examining the tenability of the model parameter constraints such as the equality of factor loadings, intercepts, factor variances and covariances or error variances across groups (Steenkamp and Baumgartner, 1998).

Table 5.8 presents the nested model comparisons based on the first-order confirmatory factor analysis model of service performance. From the results it can be seen that if the measurement weights model is compared to the unconstrained model, the difference in the chi-square values is calculated as $414.6 - 401.1 = 13.5$, with the corresponding difference in the degrees of freedom calculated as $239 - 228 = 11$. The difference in fit is not significant ($p = 0.261$) and therefore it can be inferred that

the model with the measurement weights constrained can be assumed to fit as well as the unconstrained model.

When the next invariance constraints are introduced into the model, namely the measurement intercepts, the chi-square value difference is $430.2 - 414.6 = 15.6$, with the corresponding difference in the degrees of freedom equal to $250 - 239 = 11$. The difference in fit is not significant ($p = 0.157$). The model with the measurement intercepts constrained can therefore be assumed to fit as well as the model with the measurement weights constrained.

When the structural means are constrained equal in addition to the previously mentioned constraints of measurement weights and measurement intercepts, the chi-square difference becomes $442.9 - 430.2 = 12.7$ and the corresponding degree of freedom becomes $257 - 250 = 7$. The difference in fit becomes insignificant at $\alpha = 0.10$ ($p = 0.080$), and it can therefore be assumed that the measurement model with the structural means constrained equal can be assumed to fit almost as well as the measurement intercepts model.

And finally, when the structural covariances model is compared to the structural means model and when the measurement residuals model is compared to the structural covariances model, the difference in fit becomes significant for both measurement models ($p = 0.017$ and $p = 0.007$) at $\alpha = 0.05$ level of significance, indicating that it is not reasonable to assume that the covariances are equal, or that the measurement error is equal across the two groups.

Table 5.8: Nested model comparisons of the measurememt model of service performance

Nested Model	Model	Δdf	ΔCMIN	Sig.
M0	**Assuming model Unconstrained (M0) to be correct:**			
M1-M0	Measurement weights	11	13.512	0.261
M2-M0	Measurement intercepts	22	29.115	0.142
M3-M0	Structural means	29	41.811	0.058
M4-M0	Structural covariances	57	88.018	0.005
M5-M0	Measurement residuals	75	124.104	0.000
M1	**Assuming model Measurement weights (M1) to be correct:**			
M2-M1	Measurement intercepts	11	15.603	0.157
M3-M1	Structural means	18	28.300	0.058
M4-M1	Structural covariances	46	74.507	0.005
M5-M1	Measurement residuals	64	110.592	0.000
M2	**Assuming model Measurement intercepts (M2) to be correct:**			
M3-M2	Structural means	7	12.696	0.080
M4-M2	Structural covariances	35	58.904	0.007
M5-M2	Measurement residuals	53	94.989	0.000
M3	**Assuming model Structural means (M3) to be correct:**			
M4-M3	Structural covariances	28	46.207	0.017
M5-M3	Measurement residuals	46	82.293	0.001
M4	**Assuming model Structural covariances (M4) to be correct:**			
M5-M0	Measurement residuals	18	36.086	0.007

Therefore, based on the preceding analysis which comprised the results of the Chi-square difference test of comparing the different sets of nested models, allows the researcher to assume that scalar invariance of the first-order confirmatory factor analysis of service performance to hold over local and foreign banks. This model, M2, is the basis from which further analyses will be pursued in Section 5.3.4 and in Chapter 6.

5.3.4 Maximum Likelihood Parameter Estimates of the Scalar Invariant First-Order Service Performance Model

The resulting maximum likelihood estimates of the scalar invariance measurement intercepts model M2, which assumes that the measurement weights and the measurement intercepts are equal across local and foreign banks, are further discussed in this section and the estimated parameters are presented in Table 5.9.

The maximum likelihood estimated regression weights and intercepts in Table 5.9 show that the regression weights are all highly significant. The estimates and the intercepts are also identical for both the local and foreign banks due to the scalar invariance restrictions imposed. The coefficients that are equal to one were constrained for the purposes of model identification. The corresponding intercepts of these parameters were constrained equal to zero. These identification constraints are aligned with recommendations by Bollen (1989) and Strasheim (2011).

Table 5.9: Maximum likelihood parameter estimates of the first-order confirmatory factor analysis model of service performance

Items and latent variables			Regression weights		Intercepts	Standardised loadings	
			Local & Foreign	Sig.	Local & Foreign	Local	Foreign
B6	<---	Facilities_Cash	1.000		0.000	0.810	0.785
B7	<---	Facilities_Cash	1.020	***	-0.042	0.844	0.862
B10	<---	PhysAcc	1.000		0.000	0.810	0.798
B11	<---	PhysAcc	1.127	***	-0.671	0.860	0.843
B27	<---	ServAcc	1.000		0.000	0.929	0.844
B28	<---	ServAcc	0.952	***	0.020	0.766	0.667
B33	<---	Innovativeness	1.000		0.000	0.754	0.859
B34	<---	Innovativeness	0.983	***	0.028	0.771	0.880
B35	<---	Innovativeness	0.923	***	0.354	0.695	0.824
B1	<---	Tangibles	1.000		0.000	0.748	0.782
B2	<---	Tangibles	1.073	***	-0.188	0.851	0.837
B3	<---	Tangibles	1.022	***	0.295	0.825	0.824
B20	<---	Empathy	1.000		0.000	0.861	0.864
B21	<---	Empathy	0.960	***	0.212	0.829	0.873
B22	<---	Empathy	0.908	***	0.413	0.835	0.843
B23	<---	Empathy	0.910	***	0.429	0.823	0.848
B31	<---	Security	1.000		0.000	0.910	0.873
B32	<---	Security	1.000	***	-0.031	0.874	0.827

Moreover, the model implied means and model implied variances of each of the seven latent constructs in Table 5.10 allow for a comparison between local and foreign banks. The findings suggest that there are a number of interesting differences. The means for foreign banks are consistently larger on all seven dimensions when compared to local banks. The variances are also different, but there is not a

consistent pattern that can be observed in the model implied variances of the latent variables.

Table 5.10: Model implied latent variable means and variances of the first-order confirmatory factor analysis model of service performance

Latent variable	Means				Variances	
	Local banks	Foreign banks	Difference[1]	Sig.	Local banks	Foreign banks
Facilities_Cash	4.236	4.640	0.404	0.010	1.857	1.877
PhysAcc	4.112	4.369	0.257	0.078	1.604	1.653
ServAcc	4.184	4.592	0.408	0.006	1.910	1.488
Innovativeness	4.571	4.836	0.265	0.044	1.106	1.654
Tangibles	4.807	4.964	0.157	0.209	1.192	1.317
Empathy	4.712	5.068	0.356	0.012	1.700	1.724
Security	5.122	5.308	0.186	0.168	1.424	1.546

1: The difference was obtained in a model where scalar invariance was imposed by setting the measurement weights and the intercepts in the model equal across groups. The means of the latent variables in this model for the local banks were constrained equal to zero, whilst the latent means of the foreign banks were left to be freely estimated. The resulting significances were obtained from the mean estimates of this model for the foreign banks.

From Table 5.10 it follows that consistently, the foreign banks had higher mean scores than the local banks for all the latent means. Significant differences (using $\alpha = 0.05$) in the model implied means were found for the following latent variables: facilities for cash distribution; service access, innovativeness and empathy.

Firstly, with respect to facilities for cash distribution, the mean score of the foreign banks was 4.640, which was higher than that of the local banks which was 4.236 ($p = 0.010$). This result suggests that foreign banks are on average perceived to be more effective in cash distribution as reflected in the responses to the items referring to having more ATMs per branch; having ATMs that are more conveniently located and accessible compared to the mean perception of customers of the local banks.

Secondly, in terms of physical access, the foreign banks had a mean score of 4.369 which was higher than 4.112 of the local banks ($p = 0.078$). This result suggests that on average the foreign banks are perceived to perform slightly better on physical access for customers as reflected in measures such as convenience of car parking spaces; having a sufficient number of car parking places on their branch premises as well as having a more extensive branch network than local banks.

Thirdly, in terms of service access, the model implied mean score of 4.592 for the foreign banks was significantly higher than the 4.184 mean score for the local banks ($p = 0.006$). This suggests that on average the accessibility of services, as reflected for example in responses referring to the time spent standing in a queue, is significantly more acceptable for foreign bank customers than for local bank customers. In reality, this is possibly confirmed by general switching behavior experienced in the industry from local banks to foreign banks because of the long queues experienced in the local banks (KPMG, 2013).

In terms of innovativeness, the foreign banks had a significantly higher mean score of 4.836 than the mean score of 4.571 of the local banks ($p = 0.044$). This means that the foreign banks were perceived to be better than local banks at charging reasonable and competitive interest rates on loans, paying reasonable and competitive interest rates on fixed deposits and charging reasonable and competitive commission charges on financial transaction. This may be a result of business strategies which enabled the foreign banks to penetrate the industry.

In terms of the tangibles, the model implied mean score of the local banks, 4.807, was slightly lower than the mean score of the foreign banks: 4.964. However, this

difference was not significant ($p = 0.209$). These values demonstrated that on average foreign and local banks were perceived to be reasonably similar in terms of modern equipment; the visual appeal and attractiveness of exterior environments of the two types of banks were perceived to be very similar; and on average, the interiors bank branches were perceived to be similar in terms of cleanliness, and that facilities and materials such as signs, symbols, advertising boards and pamphlets were perceived to be similar for the two types of banks.

In terms of banks employees' empathy, foreign banks had a higher mean score of 5.068 than that of the local banks, which was 4.712 ($p = 0.012$). It can be interpreted to mean that on average, the employees of the foreign banks were perceived to be significantly better than their counterparts in local banks in empathy as reflected in the items that were related to providing caring and individual attention to customers; having the best interest of customers at heart; understanding the specific needs of their customers; serving customers politely and in a good manner and answering customers' complaints politely and in a friendly manner.

And finally, for the security latent variable, the mean score of the local banks was 5.122 which was slightly lower than the mean score of foreign banks, which was 5.308, but the result was not significant ($p = 0.168$). These values could be interpreted to mean that the local and foreign banks are perceived to be similar in terms of security consciousness. This finding is interesting, since when foreign banks first entered Tanzania, there was a general concerned about the confidentiality of their financial transactions, and therefore the foreign banks had to make sure that security was their uttermost priority so as to be able to earn trust from their customers, and it seemed that they have been able to manage to obtain a similar status as local banks when it comes to security.

The scalar invariant model with the model implied estimated covariances and correlations in Table 5.11 reveals interesting insights about the interrelationships among the constructs in this model. It is not possible to interpret the covariances meaningfully, since a covariance figure reflects the variances of both variables concerned as well as the correlation between them. However, the estimated correlations that were obtained from the standardised output yield a number of interesting insights. The highest correlation was for the foreign banks' customers between the dimensions security and tangibles, with a correlation of 0.762. If this number is squared, it suggests that more than 58% of variance is shared between these two constructs for the customers from the foreign banks, suggesting that measures on these two dimensions may carry similar notions among foreign bank customers. With the local banks' customers the correlation value of 0.709 is the highest between tangibles and empathy. This value when squared suggests that there is 50% variance overlap for the customers of the local banks among these two constructs.

Table 5.11: Model implied covariances and correlations of the first-order confirmatory factor analysis model of service performance

Variables			Covariances		Correlations	
			Local	Foreign	Local	Foreign
Security	<-->	PhysAcc	0.359	0.707	0.238	0.442
Security	<-->	ServAcc	0.521	0.849	0.316	0.560
Security	<-->	Tangibles	0.760	1.088	0.584	0.762
Security	<-->	Innovativeness	0.822	1.198	0.655	0.749
Security	<-->	Empathy	0.954	1.235	0.613	0.756
Security	<-->	Facilities_Cash	0.377	1.013	0.232	0.595
PhysAcc	<-->	ServAcc	0.885	0.985	0.506	0.628
PhysAcc	<-->	Tangibles	0.304	0.508	0.220	0.344
PhysAcc	<-->	Innovativeness	0.613	1.084	0.460	0.655
PhysAcc	<-->	Empathy	0.692	0.762	0.419	0.451
PhysAcc	<-->	Facilities_Cash	0.905	0.977	0.524	0.555
ServAcc	<-->	Tangibles	0.346	0.765	0.229	0.546
ServAcc	<-->	Innovativeness	0.583	0.974	0.401	0.621
ServAcc	<-->	Empathy	0.960	0.971	0.533	0.606
ServAcc	<-->	Facilities_Cash	0.325	0.911	0.173	0.545
Tangibles	<-->	Innovativeness	0.544	0.752	0.474	0.510
Tangibles	<-->	Empathy	1.010	1.138	0.709	0.755
Tangibles	<-->	Facilities_Cash	0.607	0.817	0.408	0.520
Innovativeness	<-->	Empathy	0.812	1.063	0.593	0.629
Innovativeness	<-->	Facilities_Cash	0.523	0.918	0.365	0.521
Empathy	<-->	Facilities_Cash	0.579	1.019	0.326	0.567

The estimated squared multiple correlations are presented in Table 5.12. When these values exceed 0.20, it suggests that the items share sufficient variance with the other variables in the proposed model, and can be retained (Hooper, Coughlan and Mullen, 2008). For both local and foreign banks, all of the squared multiple correlations are higher than 0.20, indicating that the model was suitable to explain the phenomenon of interest.

Table 5.12: Error variances and squared multiple correlations of the first-order confirmatory factor analysis model of service performance

Error Variances			Squared Multiple correlations		
Error term	Local	Foreign	Variable	Local	Foreign
e1	0.939	0.835	B1	0.560	0.612
e2	0.523	0.648	B2	0.724	0.700
e3	0.582	0.650	B3	0.681	0.679
e6	0.973	1.167	B6	0.656	0.617
e7	0.779	0.678	B7	0.713	0.742
e10	0.840	0.945	B10	0.656	0.636
e11	0.721	0.858	B11	0.739	0.710
e20	0.595	0.586	B20	0.741	0.747
e21	0.712	0.494	B21	0.688	0.763
e22	0.611	0.578	B22	0.697	0.711
e23	0.668	0.559	B23	0.678	0.719
e27	0.302	0.600	B27	0.863	0.713
e28	1.215	1.679	B28	0.587	0.445
e31	0.295	0.482	B31	0.828	0.762
e32	0.442	0.714	B32	0.763	0.684
e33	0.840	0.587	B33	0.568	0.738
e34	0.728	0.467	B34	0.595	0.774
e35	1.006	0.664	B35	0.483	0.679

5.3.5 Convergent and Discriminant Validity of the First-Order Confirmatory Factor Analysis Model of Service Performance

Using the approach suggested by Fornell and Larcker (1981), an evaluation of the measurement model is appropriate in terms of its validity and reliability. According to Fornell and Larcker (1981), when the composite reliability CR of a construct is more than 0.5, it provides support for the convergent validity of the construct. The average variance extracted (AVE) provides information about the amount of variance that is

captured by the construct in relation to the amount of variance due to measurement error. Discriminant validity of a construct is assessed by comparing AVE with the highest correlation of the construct with the other constructs, and is supported when AVE is more than the maximum correlation with the remaining constructs (Fornell and Larcker, 1981).

The composite reliability, the average variance extracted and the maximum correlation squared for each construct is summarised in Table 5.13. From this table the results show that convergent validity is supported for all the constructs, since CR is larger than 0.5, however, it seems that discriminant validity is not clearly supported for all the constructs. Specifically, for the physical access and service access dimensions for foreign bank customers and for innovativeness for local banks, there is some concern for the complete discriminant validity of the measure. However, it should be noted that the instrument was tested for the first time in a developing country, and that the language, English, that was used for the questionnaire, is the second language of the majority of the respondents. It was therefore decided to proceed with the measure, yet to be cautious with interpretation of the findings and for noting it as a possible limitation of the study.

Table 5.13: Assessment of the convergent and discriminant validty of the first-order confirmatory factor analysis model of service performance

	Average variance extracted (AVE)		Max (R^2)	
	Local	**Foreign**	**Local**	**Foreign**
Facilities_Cash	0.439	0.424	0.275	0.354
Physical Access	0.472	0.428	0.503	0.572
Service Access	0.489	0.337	0.429	0.561
Innovativeness	0.390	0.561	0.503	0.581
Tangibles	0.490	0.483	0.284	0.394
Empathy	0.520	0.570	0.275	0.429
Security	0.684	0.547	0.429	0.581
	Convergent validity		**Discriminant validity**	
	Composite reliability (CR)		**(AVE) / Max(R^2)**	
	Local	**Foreign**	**Local**	**Foreign**
Facilities_Cash	0.610	0.595	1.597	1.198
Physical Access	0.641	0.599	0.939	0.748
Service Access	0.654	0.500	1.139	0.600
Innovativeness	0.657	0.793	0.776	0.965
Tangibles	0.742	0.737	1.725	1.224
Empathy	0.813	0.841	1.894	1.329
Security	0.812	0.707	1.593	0.943

Lack of clear discrimination between the factors could be due to the specific context, but the theoretical distinction between these latent variables has been argued extensively in Chapter 3. A more acceptable approach would be to develop a second-order model, to further simplify the measurement model. According to Brown (2015), a second-order factor analysis model can be fruitfully used to rescue a construct, where there are multiple correlated factors among the first-order latent variables. The purpose of a higher-order factor analysis model is to provide a more parsimonious representation of the correlations among lower-order factors (Chen *et al.* 2005; Strasheim, 2011; Brown, 2015).

5.3.6 A Second-Order Confirmatory Factor Analysis of Service Performance

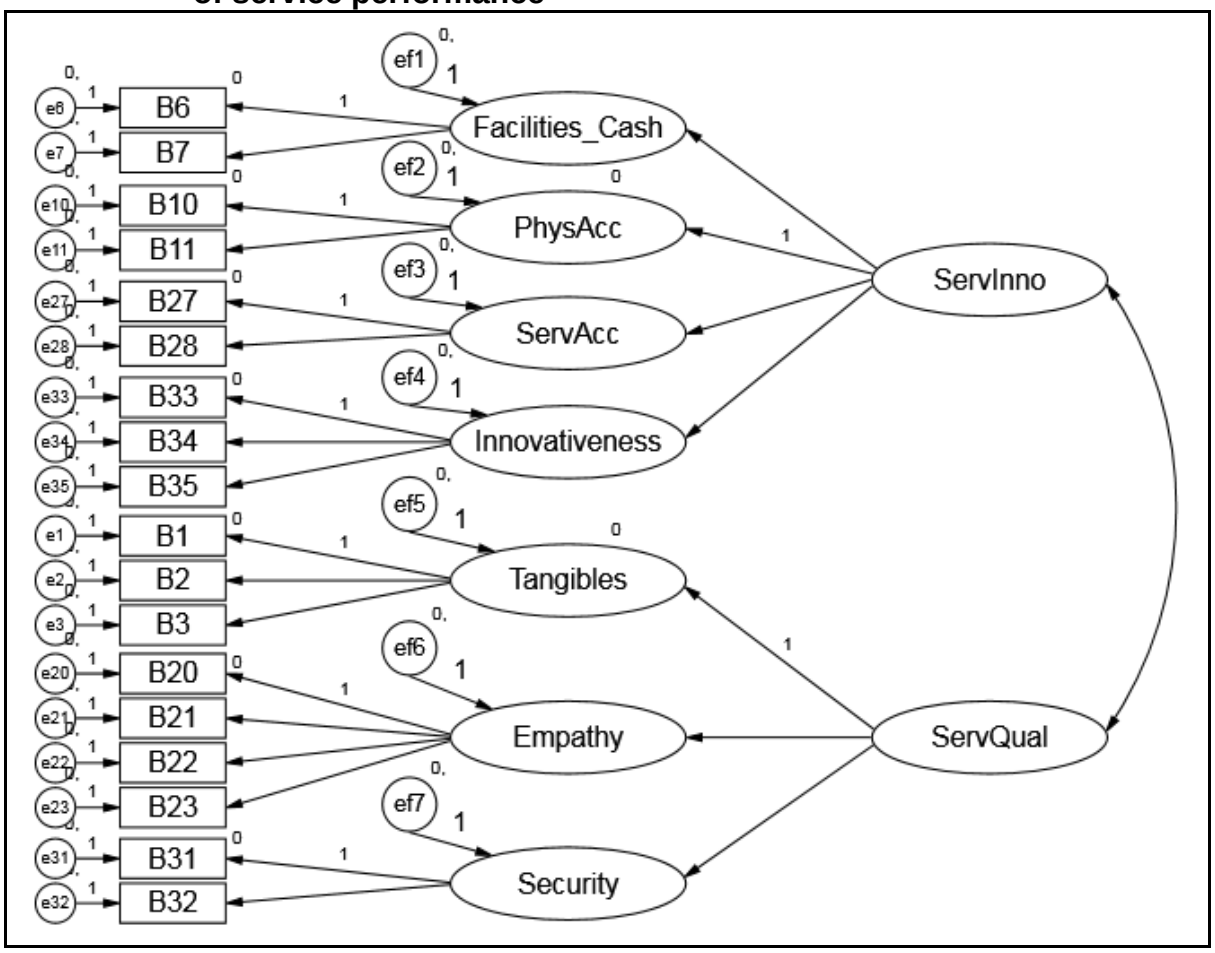
A second-order confirmatory factor analysis model can be used fruitfully to simplify the underlying structure of the pattern of covariance between the first-order latent factors, thereby giving a description of the covariance in a more concise way with fewer parameters (Strasheim, 2011).

The second-order model is suitable in situations where the first-order confirmatory factors are highly correlated with each other and where there is a theoretical rationale for these factors to emanate from a higher-order dimension (Brown, 2015). In this study, tangibles and empathy as the first-order factors arise from the SERVQUAL approach to service quality as proposed by Parasuraman, Berry and Zeithaml (1991), while security, innovativeness, service access, physical access and cash distribution as proposed by (Jun & Cai, 2001) were included from the literature as an essential dimension of service performance, in order to serve as a realistic reflection of the Tanzanian banking industry. Some of these first-order factors were found to be highly correlated as shown in Table 5.11, which led to the suggestion that second-order factors may underlie these dimensions.

The two second-order latent variables were named service innovation and service quality to represent these two higher-order factors. This model, shown in Figure 5.2, model of service performance suggests that the two underlying factors may be suitable to represent the relationships between the first-order constructs. The seven-dimensional first-order constructs are modelled as emanating from the two second-order latent variables. Finally, residual variances need to be incorporated in the first-order latent variables, since they are endogenous variables in the second-order model. The residual variances of the first-order latent variables were included in the

model so as to signify the extent to which the second-order latent constructs do not explain the second-order regression weights and the relationships between the second-order variables (Geiser, 2010). That is, the fundamental reason for using a second-order model is to offer a more concise model of the relationships of how service performance can be conceptualised to represent the covariances between the first-order latent constructs.

Figure 5.2: A second-order confirmatory factor analysis measurement model of service performance



5.3.7 Measurement Invariance of the Second-Order Confirmatory Factor Analysis of Service Performance

Similar as to the situation for the first-order confirmatory factor analysis model of service performance, in order to conduct a valid comparison between the local and foreign banks, it is required that measurement invariance is tested for the second-order model as well, especially when a comparison of the mean information is of interest (Brown, 2015).

Table 5.14 depicts the fit measures of the measurement invariance testing results of the second-order service performance model for local and foreign banks. The testing procedure of this model of service performance is an extension of the invariance testing procedure used for the first-order confirmatory factor analysis as reported in Section 5.3.3 model with additional constraints at the second-order level, namely structural weights, structural intercepts and structural residuals (Strasheim, 2011).

With the second-order confirmatory factor analysis model, the unconstrained model, the measurement weights model and the measurement intercepts model, the structural weights and the structural intercepts model need to fit adequately to allow a valid comparison of the means at the second-order level across groups (Strasheim, 2011).

Additional cut-off criteria that were used to decide whether the various models fitted the data well were required to have the value of the ratio of chi-square to the degrees of freedom less than 3 (Hu & Bentler. 1999); IFI, CFI and TLI over 0.9, and preferably over 0.95 for very good fit, and RMSEA lower than 0.08 for reasonable fit and smaller

than 0.05 for excellent fit, similar to the situation with the invariance testing results of the first-order model.

Table 5.14 shows that the ratio of the chi-square to the degrees of freedom of the unconstrained model ranged between 1.934 and 2.049 for the various constrained models. These values were below the cut-off point of 3.0 which signified that the various invariance constrained models all provided acceptable fit to the data. The Akaike Information Criterion (AIC) is at its lowest at the structural intercepts model, suggesting that this model is the most appropriate. However, it is also required that the nested model comparisons are investigated, before the interpretation of measurement invariance is complete.

Table 5.14: Fit measures of the second-order model of service performance

Model	Model	NPAR	CMIN	DF	Sig.	CMIN/df	AIC
MM0	Unconstrained	124	520.4	254	0.000	2.049	768.4
MM1	Measurement weights	113	527.2	265	0.000	1.989	753.2
MM2	Measurement intercepts	102	542.9	276	0.000	1.967	746.9
MM3	Structural weights	97	548.7	281	0.000	1.953	742.7
MM4	Structural intercepts	92	553.0	286	0.000	1.934	737.0
MM5	Structural means	90	561.5	288	0.000	1.950	741.5
MM6	Structural covariances	87	567.3	291	0.000	1.950	741.3
MM7	Structural residuals	80	584.2	298	0.000	1.960	744.2
MM8	Measurement residuals	62	621.0	316	0.000	1.965	745.0
	Saturated model	378	0.0	0			756.0
	Independence model	72	4457.7	306	0.000	14.568	4601.7

The other fit measures shown in Table 5.15 provide support for all the models fitted.

Table 5.15: Additional fit measures of the second-order confirmatory factor analysis model of service performance

	Baseline Comparisons				
	MODEL	**IFI**	**TLI**	**CFI**	**SRMR**
MM0	Unconstrained	0.937	0.923	0.936	0.0738
MM1	Measurement weights	0.937	0.927	0.937	0.0736
MM2	Measurement intercepts	0.936	0.929	0.936	0.0735
MM3	Structural weights	0.936	0.930	0.936	0.0746
MM4	Structural intercepts	0.936	0.931	0.936	0.0744
MM5	Structural means	0.934	0.930	0.934	0.0746
MM6	Structural covariances	0.934	0.930	0.933	0.0863
MM7	Structural residuals	0.931	0.929	0.931	0.0904
MM8	Measurement residuals	0.926	0.929	0.927	0.0910
	Saturated model	1.000		1.000	
	Independence model	0.000	0.000	0.000	
	RMSEA				
	MODEL	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
MM0	Unconstrained	0.053	0.046	0.059	0.242
MM1	Measurement weights	0.051	0.045	0.058	0.374
MM2	Measurement intercepts	0.051	0.044	0.057	0.431
MM3	Structural weights	0.050	0.044	0.056	0.470
MM4	Structural intercepts	0.050	0.043	0.056	0.523
MM5	Structural means	0.050	0.044	0.056	0.478
MM6	Structural covariances	0.050	0.044	0.056	0.478
MM7	Structural residuals	0.050	0.044	0.056	0.448
MM8	Measurement residuals	0.051	0.045	0.056	0.433
	Independence model	0.189	0.185	0.194	0.000

In Table 5.15, the values of IFI, TLI and CFI for all models from unconstrained up to and including measurement residuals were above the recommended cut-off point of 0.9. These second-order results suggest that based on baseline fit criteria, the

second-order model provided a reasonably good fit to the data and therefore it was appropriate to proceed to subsequent analyses.

Also in Table 5.15, the values of the RMSEA ranged between 0.05 and 0.053 for the unconstrained model through to the measurement residuals model. All these values were between 0.05 and 0.08, indicating a reasonable model fit as recommended by Diamantopoulos and Siguaw (2000). The SRMR was also below 0.08 for models MM0 to MM5. These fit measures suggest that this second-order measurement model of service performance was a plausible conceptualisation across the two groups of customers, that its outputs could be applied to test hypothesis relationships at the structural level and that the model could be used to compare local and foreign banks.

Table 5.16 depicts the nested model comparisons of the second-order confirmatory factor analysis model of service performance. The results show that when the measurement weights model is compared with the unconstrained model, the difference in the chi-square value was calculated as $527.2 - 520.4 = 6.8$, with the corresponding difference in the degrees of freedom calculated as $265 - 254 = 11$. The difference in fit is not significant ($p = 0.818$) and therefore it can be inferred that the model with the measurement weights constrained can be assumed to fit as well as the unconstrained model. That means that the hypothesis of equal conceptualisation of the second-order service performance dimension across the two groups of customers seems to be clearly established.

Secondly, when the measurement intercepts model is compared to the measurement weights model, the chi-square difference value became 15.7 (542.9 – 527.2), with the corresponding difference in the degrees of freedom calculated as $276 - 265 = 11$. The difference in fit is not significant ($p = 0.153$), and therefore constraining the measurement intercepts model seems to fit as well as the measurement weights model.

Thirdly, when the structural weights are constrained equal, the difference in fit is also insignificant ($p = 0.319$) implying that the structural weights model can be regarded to fit as well as the measurement intercepts model.

Moreover, when the structural intercepts model is compared to the structural weights model, the difference in fit is again not significant at $p = 0.509$, with the result that the structural intercepts model can be regarded to fit as well as the structural weights model. However, the structural means model seems not to fit as well as the structural intercepts model, as the difference in fit is significant ($p = 0.014$), suggesting that there are significant differences in the mean levels across the two groups.

Table 5.16 Nested model comparisons of the second-order confirmatory factor analysis model of service performance

Nested Model	Models	ΔDF	ΔCMIN	P
MM0	**Assuming model Unconstrained (MM0) to be correct:**			
MM1-MM0	Measurement weights	11	6.761	0.818
MM2-MM1	Measurement intercepts	22	22.451	0.433
MM3-MM2	Structural weights	27	28.325	0.394
MM4-MM3	Structural intercepts	32	32.613	0.437
MM5-MM4	Structural means	34	41.124	0.187
MM6-MM5	Structural covariances	37	46.924	0.127
MM7-MM6	Structural residuals	44	63.738	0.027
MM8-MM7	Measurement residuals	62	100.543	0.001
MM1	**Assuming model Measurement weights (MM1) to be correct:**			
MM2-MM1	Measurement intercepts	11	15.689	0.153
MM3-MM1	Structural weights	16	21.563	0.158
MM4-MM1	Structural intercepts	21	25.852	0.212
MM5-MM1	Structural means	23	34.363	0.060
MM6-MM1	Structural covariances	26	40.162	0.038
MM7-MM1	Structural residuals	33	56.977	0.006
MM8-MM1	Measurement residuals	51	93.782	0.000
MM2	**Assuming model Measurement intercepts (MM2) to be correct:**			
MM3-MM2	Structural weights	5	5.874	0.319
MM4-MM2	Structural intercepts	10	10.163	0.426
MM5-MM2	Structural means	12	18.674	0.097
MM6-MM2	Structural covariances	15	24.473	0.057
MM7-MM2	Structural residuals	22	41.287	0.008
MM8-MM2	Measurement residuals	40	78.093	0.000

MM3	**Assuming model Structural weights (MM3) to be correct:**			
MM4-MM3	Structural intercepts	5	4.289	0.509
MM5-MM3	Structural means	7	12.800	0.077
MM6-MM3	Structural covariances	10	18.599	0.046
MM7-MM3	Structural residuals	17	35.413	0.005
MM8-MM3	Measurement residuals	35	72.219	0.000
MM4	**Assuming model Structural intercepts (MM4) to be correct:**			
MM5-MM4	Structural means	2	8.511	0.014
MM6-MM4	Structural covariances	5	14.310	0.014
MM7-MM4	Structural residuals	12	31.125	0.002
MM8-MM4	Measurement residuals	30	67.930	0.000
MM5	**Assuming model Structural means (MM5) to be correct:**			
MM6-MM5	Structural covariances	3	5.799	0.122
MM7-MM5	Structural residuals	10	22.614	0.012
MM8-MM5	Measurement residuals	28	59.419	0.000
MM6	**Assuming model Structural covariances (MM6) to be correct:**			
MM7-MM6	Structural residuals	7	16.815	0.019
MM8-MM6	Measurement residuals	25	53.620	0.001
MM7	**Assuming model Structural residuals (MM7) to be correct:**			
MM8-MM7	Measurement residuals	18	36.805	0.006

Based on the combined assessment of the fit measures presented in Table 5.14, 5.15 and 5.16, it is appropriate to accept the structural intercepts model as an appropriate second-order model of service performance. Due to the nested nature of this model, the structural intercepts model has the same form (M0) across the local and foreign banks; has measurement weights (M1) constrained equal, measurement intercepts (M2) equal, structural weights equal (M3) as well as structural intercepts (M4) equal across local and foreign banks. The maximum likelihood estimates of model M4 is presented in the next section.

5.3.8 Maximum Likelihood Parameter Estimates of the Second-Order Model of Service Performance

Table 5.17 provides the maximum likelihood estimates the second-order service performance model M4. All the regression weights were highly significant, an indication that the convergent validity of the measurement items was supported in the

model. In addition, the structural weights were also highly significant, lending support for the suitability of the second-order model.

Table 5.17: Maximum likelihood parameter estimates of the second-order model of service performance with equal structural weights and intercepts and equal measurement weights and intercepts

Items and latent variables			Regression weights			Standardised regression weight	
			Foreign and Local				
			Estimate	Sig.	Intercept	Foreign	Local
Facilities_Cash	<---	ServInno	0.933	***	0.486	0.533	0.696
PhysAcc	<---	ServInno	1.000		0.000	0.606	0.737
ServAcc	<---	ServInno	0.961	***	0.320	0.565	0.791
Innovativeness	<---	ServInno	1.040	***	0.963	0.792	0.834
Tangibles	<---	ServQual	0.796	***	0.000	0.776	0.826
Empathy	<---	ServQual	1.000		1.070	0.865	0.895
Security	<---	ServQual	0.868	***	0.296	0.761	0.871
B6	<---	Facilities_Cash	1.000		0.000	0.810	0.794
B7	<---	Facilities_Cash	1.011	***	-0.001	0.855	0.843
B10	<---	PhysAcc	1.000		0.000	0.862	0.836
B11	<---	PhysAcc	1.009	***	-0.173	0.799	0.811
B27	<---	ServAcc	1.000		0.000	0.916	0.847
B28	<---	ServAcc	0.969	***	-0.053	0.773	0.677
B33	<---	Innovativeness	1.000		0.000	0.742	0.856
B34	<---	Innovativeness	0.998	***	-0.042	0.787	0.878
B35	<---	Innovativeness	0.930	***	0.318	0.696	0.822
B1	<---	Tangibles	1.000		0.000	0.759	0.787
B2	<---	Tangibles	1.072	***	-0.184	0.854	0.836
B3	<---	Tangibles	1.006	***	0.371	0.819	0.815
B20	<---	Empathy	1.000		0.000	0.854	0.871
B21	<---	Empathy	0.961	***	0.210	0.825	0.88
B22	<---	Empathy	0.906	***	0.423	0.824	0.850
B23	<---	Empathy	0.909	***	0.434	0.816	0.853
B31	<---	Security	1.000		0.000	0.925	0.871
B32	<---	Security	0.984	***	0.055	0.874	0.812

Model identification was achieved by constraining one indicator regression coefficient per latent variable equal to one while the corresponding intercept values were being

constrained equal to zero. The specific constrained parameters are visible in Figure 5.2.

The model implied means and model implied variances generated from the second-order confirmatory factor analysis of service performance in Table 5.18 allow for a comparative analysis of the two groups of customers, which reveals a number of interesting differences between them. The findings suggest that the mean values for the foreign banks were consistently higher on both the second-order dimensions when compared with the mean values of the local banks.

Table 5.18: Model implied latent means and variances of the second-order confirmatory factor analysis model of service performance

Latent Variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
ServInno	4.082	4.400	0.318	0.004	0.637	1.027
ServQual	4.750	5.030	0.281	0.032	1.206	1.469

1: The difference was obtained in a model where scalar invariance was imposed by setting the measurement weights and intercepts in the model, as well as the structural weights and intercepts equal across groups. The means of the latent variables in this model for the local banks were constrained equal to zero, whilst the latent means of the foreign banks were left to be freely estimated. The resulting significances were obtained from the mean estimates of this model for the foreign banks.

The mean score of service innovation for the local banks was 4.082, which was significantly lower than the mean score of 4.440 for the foreign banks ($p = 0.004$). The interpretation of this result was that the average service innovation, as composed ot the foreign banks' overall physical access, service access, facilities for cash distribution and innovativeness were perceived to be significantly better than those of local banks.

In terms of service quality, the mean score for the foreign banks was 5.030, which was significantly higher than the mean score of 4.750 for the local banks ($p = 0.032$). These values suggest that service quality delivery, composed of tangibles, empathy and security systems were perceived significantly more favourably by foreign bank customers compared to local bank customers.

Table 5.19 shows the model implied covariances and correlations between the second-order constructs, service innovation and service quality. The correlation values were 0.826 for the local banks and 0.832 for the foreign banks. When these values are squared, then the shared variances of these two constructs become 68% and 69%. Although these correlations are relatively high, the historical origin of the items and constructs, and the theoretical distinction between the constructs, does not warrant a single higher-order factor.

Table 5.19: Estimated covariances and correlations of the second-order confirmatory factor analysis model of service performance

			Covariances		Correlations	
			Local	Foreign	Local	Foreign
ServInno	<-->	ServQual	0.724	1.022	0.826	0.832

Values for the estimated squared multiple correlations are depicted in Table 5.20. When this value exceeds 0.20 it suggests that the item shares sufficient variance with the other measured variables in the particular model (Hooper, Coughlan & Mullen, 2008). That all squared multiple correlations for local and foreign banks were higher than 0.20 is further support for the plausibility of the second-order CFA model of service quality.

Table 5.20: Error variances and squared multiple correlations of the second-order confirmatory factor analysis model of service performance

Error Variances			Squared Multiple correlations		
Error term	**Local**	**Foreign**	**Variable**	**Local**	**Foreign**
ef1	1.395	0.951	Facilities_Cash	0.284	0.485
ef2	1.095	0.864	PhysAcc	0.368	0.543
ef3	1.259	0.569	ServAcc	0.319	0.625
ef4	0.409	0.485	Innovativeness	0.627	0.696
ef5	0.482	0.417	Tangibles	0.604	0.682
ef6	0.406	0.365	Empathy	0.748	0.801
ef7	0.660	0.352	Security	0.580	0.759
e6	1.018	1.079	B6	0.657	0.631
e7	0.730	0.770	B7	0.732	0.710
e10	0.600	0.814	B10	0.743	0.699
e11	0.998	1.002	B11	0.639	0.658
e27	0.356	0.596	B27	0.838	0.718
e28	1.165	1.682	B28	0.598	0.459
e33	0.895	0.584	B33	0.551	0.732
e34	0.672	0.471	B34	0.619	0.771
e35	1.012	0.662	B35	0.484	0.676
e1	0.943	0.808	B1	0.563	0.619
e2	0.494	0.650	B2	0.739	0.699
e3	0.610	0.670	B3	0.669	0.665
e20	0.599	0.581	B20	0.729	0.759
e21	0.696	0.492	B21	0.681	0.775
e22	0.624	0.579	B22	0.680	0.722
e23	0.665	0.565	B23	0.667	0.728
e31	0.264	0.465	B31	0.856	0.758
e32	0.472	0.731	B32	0.763	0.659

5.3.9 Reliability Analysis of the First-Order and Second-Order Constructs of Service Performance

The analysis on the reliability of the subscales was also done after carrying out the confirmatory factor analysis. Basically, the confirmatory factor analysis summarised and reduced the information contained in the large number of variables into a smaller and more easily manageable number of factors.

The typical criterion for Cronbach's coefficient alpha is to have a value of 0.70 or more (Peterson, 1994) to indicate a suitable level of internal reliability, although different scholars still accept a Cronbach's coefficient alpha value of as low as 0.60. In this study, after carrying out the confirmatory factor analysis, Cronbach's coefficient alpha values were also calculated so as to test the internal reliability of the measurement instrument. These values were divided into two main categories; the first one comprised the Cronbach's coefficient alpha values of individual dimensions of service performance and the second comprised the Cronbach's coefficient alpha values of all dimensions of service performance combined. The Cronbach's coefficient alpha values for each of the measured latent variables in the final model are presented in Table 5.21. Further, for the two item scales, the Spearman-Brown coefficient of reliability is provided (Eisinga, Te Grotenhuis & Pelzer, 2013).

Table 5.21: Reliability analysis of constructs of the extended model of service performance

SERVICE PERFORMANCE DIMENSION	Items	Cronbach's alpha		
		Local	Foreign	Both
Facilities for cash	B6, B7	0.814	0.802	0.812
Physical Access	B10, B11	0.818	0.805	0.813
Service Access	B27, B28	0.827	0.717	0.779
Innovativeness	B33, B34, B35	0.779	0.890	0.842
Service Innovation	B6, B7, B10, B11,B27, B28, B33, B34, B35	0.813	0.876	0.851
Tangibles	B1, B2, B3	0.847	0.856	0.852
Empathy	B20, B21, B22, B23	0.903	0.918	0.911
Security	B31, B32	0.886	0.840	0.862
Service Quality	B1, B2, B3, B20, B21, B22, B23, B31, B32	0.907	0.927	0.918
All dimensions of service performance	B6, B7, B10, B11, B27, B28, B33, B34, B35, B1, B2, B3, B20, B21, B22, B23, B31, B32	0.902	0.932	0.910
SERVICE PERFORMANCE		**Spearman correlation**		
	Items	**Local**	**Foreign**	**Both**
Facilities for cash	B6, B7	0.687	0.670	0.684
Physical Access	B10, B11	0.695	0.674	0.686
Service Access	B27, B28	0.712	0.571	0.646
Security	B31, B32	0.795	0.726	0.758
SERVICE PERFORMANCE		**Spearman-Brown reliability**		
	Items	**Local**	**Foreign**	**Both**
Facilities for cash	B6, B7	0.814	0.802	0.812
Physical Access	B10, B11	0.820	0.805	0.814
Service Access	B27, B28	0.832	0.727	0.785
Security	B31, B32	0.886	0.841	0.862

Empathy had the highest Cronbach's coefficient alpha value of 0.910; the lowest was for service access which had an alpha value of 0.779. However, when all these dimensions were combined, the Cronbach's coefficient alpha value was 0.910, which can be expected due to the large number of items involved in the calculation of the coefficient.

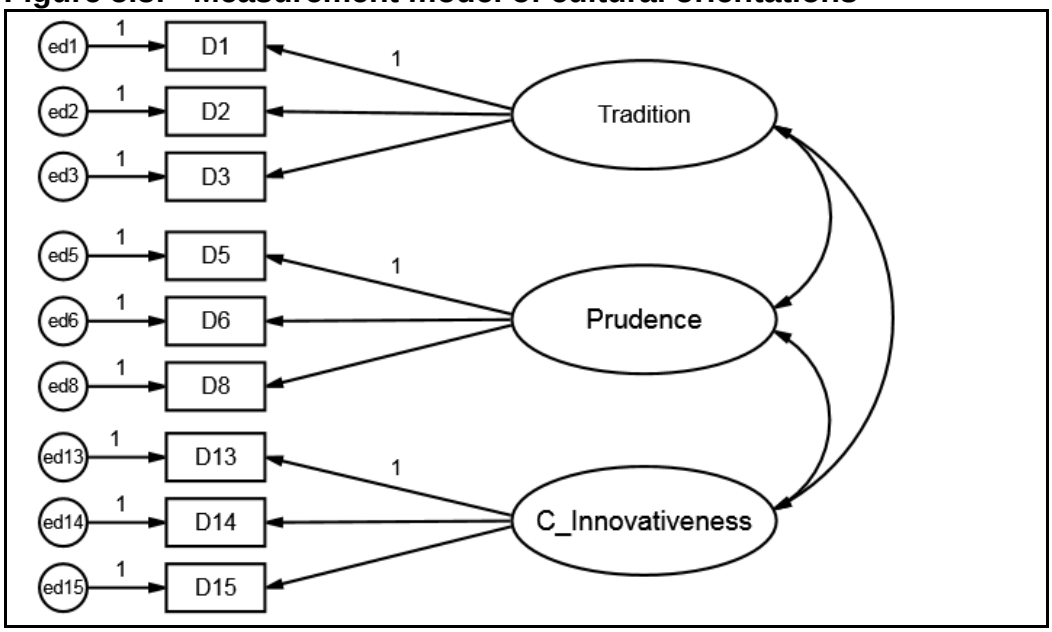
5.4 THE MEASUREMENT MODEL OF CULTURAL ORIENTATIONS

5.4.1 A First-Order Confirmatory Factor Analysis of Cultural Orientations

The initial model tested for cultural orientation (Sharma, 2010), comprised of four dimensions, each indicated by four items, with the constructs, tradition, prudence, interdependence and consumer innovativeness. Although this model fitted adequately, after the removal of items with low squared multiple correlations, the estimated correlations between the constructs interdependence and prudence were very high, 0.878 for local banks and 0.952 for foreign banks. From a theoretical viewpoint, it did not make sense to merge these two constructs. Therefore, the construct interdependence was omitted in further analyses. The three-dimensional model used for the measurement of cultural orientation comprising of the constructs tradition, prudence and consumer innovativeness is presented in Figure 5.3. The model has three latent variables each indicated by three items, with a total of nine indicators. The items that were excluded in the final model were due to their low squared multiple correlations, one in each construct.

For the purpose of model identification, a number of constraints were placed on the measurement parameters. One measured variable per latent variable was set equal to 1, and the corresponding intercept was constrained equal to zero.

Figure 5.3: Measurement model of cultural orientations



5.4.2 Testing for the Assumption of Normality of the Items of Cultural Orientation

Table 5.22 depicts the skewness and kurtosis values used for examining the multivariate normality of the items indicating personal cultural orientations for both groups.

Table 5.22: Assessment of normality of personal cultural orientations for both groups

VARIABLE	MIN	MAX	SKEW	C.R.	KURTOSIS	C.R.
D15	1.000	7.000	-0.581	-4.622	0.179	0.712
D14	1.000	7.000	-0.704	-5.606	0.088	0.348
D13	1.000	7.000	-0.742	-5.908	0.339	1.349
D8	1.000	7.000	-1.330	-10.586	1.748	6.954
D6	1.000	7.000	-1.278	-10.171	1.098	4.369
D5	1.000	7.000	-1.224	-9.741	1.376	5.474
D3	1.000	7.000	-1.331	-10.591	1.950	7.760
D2	1.000	7.000	-1.312	-10.441	1.796	7.147
D1	1.000	7.000	-1.361	-10.831	0.923	3.674
Multivariate					88.901	61.580

In Table 5.22 above, the focus is on kurtosis values for interpretation. As depicted in the table, kurtosis positive values were between 0.088 and 1.950. All these values indicate univariate normal distribution of the items as the values were below 7, as recommended by West *et al*., (1995).

An assessment of the normality of the personal cultural orientations for the local banks was also carried out as shown in Table 5.23.

Table 5.23: Assessment of normality of personal cultural orientations for the local banks

VARIABLE	MIN	MAX	SKEW	C.R.	KURTOSIS	C.R.
D15	1.000	7.000	-0.581	-3.319	0.630	1.799
D14	1.000	7.000	-0.756	-4.319	0.628	1.796
D13	1.000	7.000	-0.426	-2.434	-0.226	-0.647
D8	1.000	7.000	-1.054	-6.022	0.872	2.493
D6	2.000	7.000	-0.968	-5.531	0.155	0.444
D5	3.000	7.000	-0.882	-5.040	-0.044	-0.125
D3	1.000	7.000	-1.248	-7.132	1.671	4.774
D2	1.000	7.000	-1.176	-6.721	1.470	4.201
D1	1.000	7.000	-1.207	-6.9	0.440	1.257
Multivariate					74.784	37.203

The findings indicate that a normal distribution of the personal cultural orientations item values can be assumed for the local banks customers as the kurtosis values which were between –0.044 and –0.226 for negative values and between 0.44 and 1.671 for positive values, all of which are far below the recommended threshold of 7.

Table 5.24 provides the values for the skewness and kurtosis values to assess the normality of the personal cultural orientation items for the foreign banks, which show that a univariate normal distribution can be assumed for foreign banks based on both negative and positive kurtosis values that were all below 7.

Table 5.24: Assessment of normality of personal cultural orientations for the foreign banks

VARIABLE	MIN	MAX	SKEW	C.R.	KURTOSIS	C.R
D15	1.000	7.000	-0.639	-3.539	-0.117	-0.323
D14	2.000	7.000	-0.683	-3.783	-0.445	-1.231
D13	1.000	7.000	-1.040	-5.761	0.846	2.342
D8	1.000	7.000	-1.679	-9.298	3.106	8.601
D6	1.000	7.000	-1.601	-8.868	2.154	5.964
D5	1.000	7.000	-1.551	-8.588	2.713	7.512
D3	1.000	7.000	-1.429	-7.913	2.320	6.423
D2	1.000	7.000	-1.479	-8.190	2.284	6.323
D1	1.000	7.000	-1.546	-8.56	1.598	4.424
Multivariate					81.901	39.476

5.4.3 Measurement Invariance of Cultural Orientation

Table 5.25 presents the fit measures of the invariance testing results of the first-order model of personal cultural orientations of customers of local and foreign banks. The unconstrained model, the measurement weights model and the measurement intercepts model were used to assess whether it could be assumed that the cultural orientation scale dimensions used, at the very least, possessed scalar invariance based on model fit criteria.

Table 5.25: Fit measures of the invariance testing of the personal cultural orientations model

	Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
M0	Unconstrained	60	159.8	48	0.000	3.329	279.8
M1	Measurement weights	54	164.3	54	0.000	3.042	272.3
M2	Measurement intercepts	48	167.2	60	0.000	2.786	263.2
M3	Structural means	45	172.4	63	0.000	2.737	262.4
M4	Structural covariances	39	206.6	69	0.000	2.994	284.6
M5	Measurement residuals	30	224.7	78	0.000	2.881	284.7
	Saturated model	108	0	0			216.0
	Independence model	36	1800.8	72	0.000	25.011	1872.8

In Table 5.24, the ratio of the chi-square to the degrees of freedom of the unconstrained model was 3.329; the measurement weights model had the value of 3.042, while the measurement intercepts model had the value of 2.786. Both the unconstrained model and the measurement weights model could therefore be marginally considered as plausible explanations in this model. The measurement intercepts model was slightly below the threshold point of 3, indicating the tenability of the model to the data according to Hu & Bentler (1999).

In Table 5.26, the alternative fit measures are presented.

Table 5.26: Other fit measures of the model for personal cultural orientations

	Baseline Comparisons				
	Model	**IFI**	**TLI**	**CFI**	**SRMR**
M0	Configural Invariance	0.936	0.903	0.935	0.0480
M1	Metric Invariance	0.937	0.915	0.936	0.0525
M2	Scalar Invariance	0.938	0.926	0.938	0.0525
M3	Means Invariance	0.937	0.928	0.937	0.0529
M4	Factor variance and covariance invariance	0.921	0.917	0.920	0.0681
M5	Error variance invariance	0.915	0.922	0.915	0.0714
	Saturated model	1.000		1.000	
	Independence model	0.000	0.000	0.000	
	Model	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
M0	Configural Invariance	0.079	0.065	0.092	0.000
M1	Metric Invariance	0.074	0.061	0.086	0.002
M2	Scalar Invariance	0.069	0.056	0.081	0.007
M3	Means Invariance	0.068	0.056	0.080	0.008
M4	Factor variance and covariance invariance	0.073	0.061	0.084	0.001
M5	Error variance invariance	0.071	0.060	0.081	0.001
	Independence model	0.252	0.242	0.262	0.000

Table 5.26 shows that for all the models, the values for IFI, TLI and CFI were above 0.90. The RMSEA was marginally acceptable with values ranging between 0.068 and 0.079. If the RMSEA is between of 0.05 and 0.08, it is generally considered to indicate a reasonable fit of the model to the data (Hu and Bentler, 1999). The SRMR was also below 0.08 for all the models.

From the table of nested model comparisons in Table 5.27, it is clear that measurement weights, measurement intercepts and structural means are tenable models, suggesting that measurement invariance holds across the two samples. However, the structural covariances and the measurement residuals models were not tenable based on the Chi-square difference test.

Table 5.27: Nested model comparisons of the first-order confirmatory factor analysis model of personal cultural orientations

Nested models	Model	ΔDF	ΔCMIN	Sig.
M0	**Assuming model Unconstrained (M0) to be correct:**			
M1-M0	Measurement weights	6	4.460	0.615
M2-M0	Measurement intercepts	12	7.342	0.834
M3-M0	Structural means	15	12.607	0.633
M4-M0	Structural covariances	21	46.761	0.001
M5-M0	Measurement residuals	30	64.929	0.000
M1	**Assuming model Measurement weights (M1) to be correct:**			
M2-M1	Measurement intercepts	6	2.882	0.823
M3-M1	Structural means	9	8.147	0.519
M4-M1	Structural covariances	15	42.301	0.000
M5-M1	Measurement residuals	24	60.469	0.000
M2	**Assuming model Measurement intercepts (M2) to be correct:**			
M3-M2	Structural means	3	5.265	0.153
M4-M2	Structural covariances	9	39.419	0.000
M5-M2	Measurement residuals	18	57.587	0.000
M3	**Assuming model Structural means (M3) to be correct:**			
M4-M3	Structural covariances	6	34.153	0.000
M5-M3	Measurement residuals	15	52.322	0.000
M4	**Assuming model Structural covariances (M4) to be correct:**			
M5-M4	Measurement residuals	9	18.168	0.033

5.4.4 Maximum Likelihood Parameter Estimates of the Scalar Invariant Model of Cultural Orientation

Table 5.28 presents the maximum likelihood estimated regression weights and intercepts for the scalar invariant model, where means and intercepts are constrained equal across local and foreign banks. The values of the regression weights are all highly significant, and there are no cross-loadings, supporting convergent validity of the scale. The equal values for the regression weights and the intercept values for

both sets of banks are due to the invariance restrictions that were imposed on the model. The coefficient values that are equal to one were constrained for the purpose of model identification, while their corresponding intercept values of the parameters were constrained equal to zero.

Table 5.28: Maximum likelihood parameter estimates of personal cultural orientations

Items and latent variables			Regression weights		Intercepts	Standardised loadings	
			Local & Foreign	p	Local & Foreign	Local	Foreign
D1	<---	Tradition	1.000		0.000	0.869	0.874
D2	<---	Tradition	0.899	***	0.534	0.881	0.859
D3	<---	Tradition	0.682	***	1.700	0.690	0.642
D5	<---	Prudence	1.000		0.000	0.844	0.876
D6	<---	Prudence	0.980	***	0.181	0.772	0.820
D8	<---	Prudence	0.946	***	0.204	0.677	0.761
D13	<---	C_Innovativeness	1.000		0.000	0.776	0.797
D14	<---	C_Innovativeness	0.959	***	0.324	0.689	0.854
D15	<---	C_Innovativeness	0.764	***	1.011	0.559	0.635

The model implied means and model implied variances generated from the first-order confirmatory factor analysis of personal cultural orientations of each of the latent variables as depicted in Table 5.29 allows a comparative analysis between local and foreign banks operating in the Tanzanian banking industry. Mean values exhibited a number of interesting differences between the two groups of banks as these values for the foreign banks were consistently higher on all three dimensions when compared with the mean values for the local banks, although the differences between the means were not always significant.

Table 5.29: Estimated latent variable means and variances of personal cultural orientations

Latent variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
Tradition	5.797	6.034	0.237	0.098	1.839	1.540
Prudence	5.947	6.108	0.161	0.144	0.879	1.066
Consumer Innovativeness	5.220	5.486	0.265	0.035	0.897	1.425

1: The difference was obtained in a model where scalar invariance was imposed by setting the measurement weights and intercepts in the model, as well as the structural weights and intercepts equal across groups. The means of the latent variables in this model for the local banks were constrained equal to zero, whilst the latent means of the foreign banks were left to be freely estimated. The resulting significances were obtained from the mean estimates of this model for the foreign banks.

Table 5.29 shows that the mean score of tradition for the local banks was 5.797, which was lower slightly lower than the mean score of 6.034 for the foreign banks ($p = 0.098$). These values suggest that, surprisingly, foreign banks' customers seemed to be slightly more aware of their traditional values than local banks' customers.

In terms of prudence, the mean score for the foreign banks was 6.108, which was slightly higher than the 5.947 of the local banks ($p = 0.144$), however, the difference is not significant. This result suggests that there were not significant differences between local and foreign banks' customers prudence, as reflected in planning for the future, working hard for success and not giving up easily after failing a first attempt.

Finally, the mean score for consumer innovativeness was significantly higher for the foreign banks (5.486) than for the local banks (5.220) with ($p = 0.035$). The foreign banks' customers were on average significantly more innovative than local bank customers, as reflected in being more open to buying new or different products; and being more inclined to buying new products.

The estimated covariances and correlations are shown in Table 5.29. These values are useful for examining the interrelationships between the latent variables in this first-order model.

Table 5.30: Estimated covariances and correlations of personal cultural orientations

			Covariances		Correlations	
			Local	Foreign	Local	Foreign
Tradition	<-->	Prudence	0.897	1.209	0.705	0.944
Tradition	<-->	Consumer Innovativeness	0.603	0.710	0.469	0.479
Prudence	<-->	Consumer Innovativeness	0.484	0.625	0.545	0.507

The highest estimated correlation between the latent variables for the foreign banks was 0.944, which is between tradition and prudence. When this correlation coefficient value is squared, it denotes that more than 89% of variance is shared between these two constructs for customers from the foreign banks, suggesting that these two dimensions seem not to be perceived very similar in this sample. For the local banks, on the other hand, the same constructs had 50% shared variance, suggesting that local banks customers perceive these two constructs differently. Convergent and discriminant validity of the constructs are discussed further in Section 5.4.5.

Table 5.30 presents values of the estimated squared multiple correlations in the model. When these values exceed the standard cut-off point of 0.20, it suggests that the items share sufficient variance with the other variables in the proposed model, and hence these indicator variables can be retained in the model (Hooper, Coughlan & Mullen, 2008). All the values of the squared multiple correlations of both local banks and foreign banks were higher than 0.20 and hence all of the items were retained in the model, indicating that the model was suitable for further examination.

Table 5.31: Error variances and squared multiple correlations of personal cultural orientations

Error Variances			Squared Multiple correlations		
Error term	Local	Foreign	Variable	Local	Foreign
ed1	0.597	0.475	D1	0.755	0.764
ed2	0.429	0.444	D2	0.776	0.737
ed3	0.940	1.021	D3	0.476	0.412
ed5	0.355	0.322	D5	0.712	0.768
ed6	0.573	0.499	D6	0.596	0.672
ed8	0.929	0.694	D8	0.459	0.579
ed13	0.592	0.819	D13	0.602	0.635
ed14	0.913	0.486	D14	0.475	0.729
ed15	1.149	1.233	D15	0.313	0.403

5.4.5 Convergent and Discriminant Validity of the Confirmatory Factor Analysis Model of Cultural Orientation and Reliability of the Measure

Following the approach suggested by Fornell and Larcker (1981), the evaluation of the measurement model of the composite reliability, which should ideally be over 0.5, and the average variance extracted is presented in Table 5.32 for the three-dimensional measure of personal cultural orientation. When AVE is more than the maximum correlation with the remaining constructs, discriminant validity is supported (Fornell and Larcker, 1981). From this Table 5.32, the results show that convergent validity is supported for all the constructs, since CR is larger than 0.5. Discriminant validity is not clearly supported for all the constructs, showing that the dimensions tradition and prudence for foreign bank customers are not clearly supported. However, since there are from a conceptual perspective a clear distinction between the concepts of tradition and prudence, the finding may be sample specific, and there may be another underlying reason for this lack of discrimination, in that for this

specific sample of foreign bank customers in Tanzania, the relationships between a traditional cultural orientation and prudence are high.

Table 5.32 Assessment of the convergent and discriminant validty of the first-order confirmatory factor analysis model of cultural orientation

	Average variance extracted		Max (R^2)	
	Local	**Foreign**	**Local**	**Foreign**
Tradition	0.505	0.497	0.497	0.891
Prudence	0.488	0.571	0.497	0.891
C_Innovativeness	0.344	0.411	0.297	0.257
	Convergent validity		**Discriminant validity**	
	COMPOSITE RELIABILITY		**(AVE) / Max(R^2)**	
	Local	**Foreign**	**Local**	**Foreign**
Tradition	0.752	0.744	1.016	0.557
Prudence	0.739	0.799	0.981	0.641
C_Innovativeness	0.607	0.673	1.157	1.597

In order to evaluate the internal consistency reliability of each factor, Cronbach's coefficient alpha was calculated for each dimension, and the results are provided in Table 5.33.

Table 5.33: Reliability analysis of constructs in the first-order measurement model of personal cultural orientations

PERSONAL CULTURAL ORIENTATION DIMENSION	**Items**	**Cronbach's alpha**		
		Local	Foreign	Both
Tradition	D1, D2, D3	0.853	0.835	0.846
Prudence	D5, D6, D8	0.801	0.855	0.830
Consumer Innovativeness	D13, D14, D15	0.693	0.815	0.767
All dimensions of personal cultural orientations	D1, D2, D3, D5, D6, D8, D13, D14, D15	0.844	0.880	0.865

When the Cronbach's alpha of both banks are considered, the first construct, tradition, had the highest Cronbach's coefficient alpha value of 0.846; the lowest was for consumer innovativeness which had a Cronbach's coefficient alpha value of 0.767. The Cronbach's coefficient alpha value for the entire scale, when all these dimensions are combined, is 0.865.The Cronbach's coefficient alpha values indicate that the measurement instrument was reliable and therefore suitable for further analysis.

5.5 THE MEASUREMENT MODEL OF CORPORATE REPUTATION

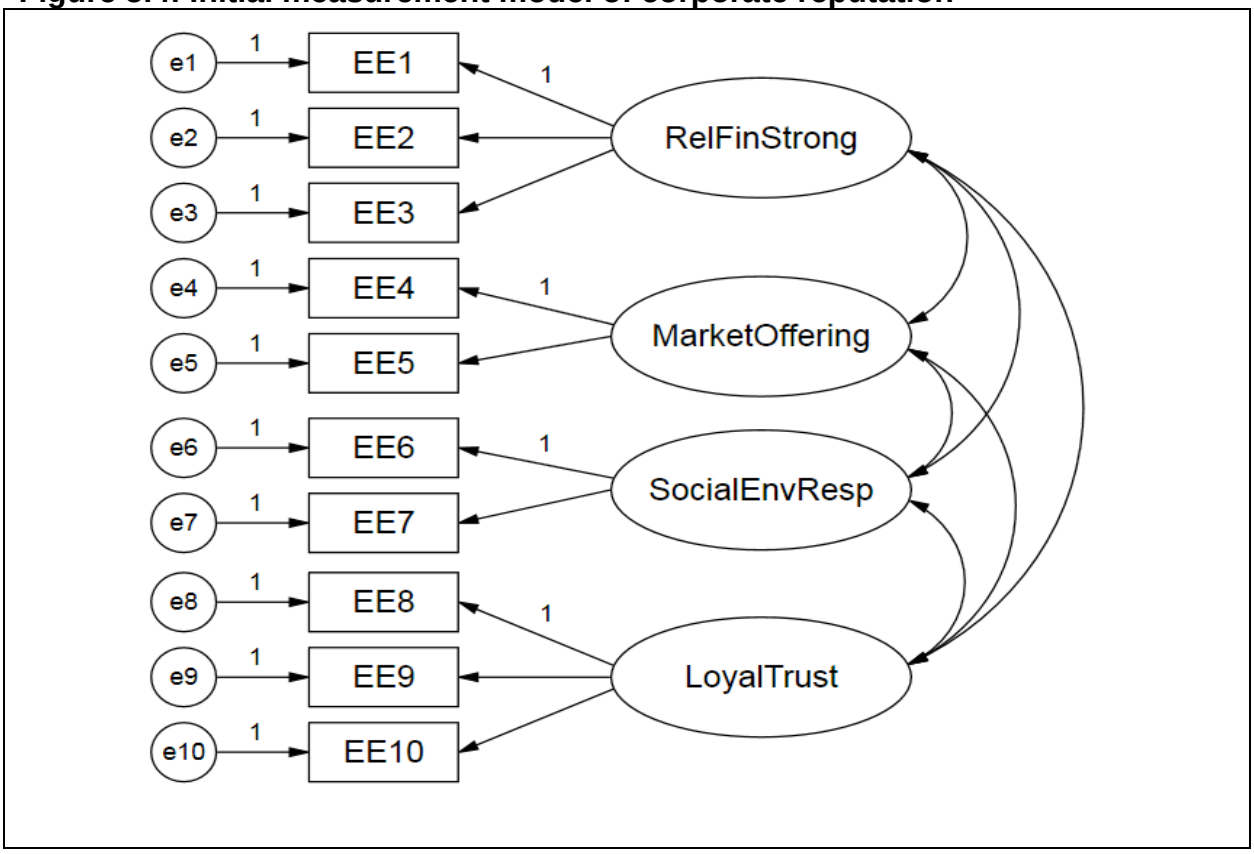
5.5.1 A Confirmatory Factor Analysis of Corporate Reputation

In Figure 5.4, the initial first-order confirmatory factor analysis model of corporate reputation as proposed by Walsh and Beatty (2007) was used to examine the psychometric properties of the measurement instrument. The initial model has four dimensions being (1) reliability and financial strength, (2) market offering, (3) social and environmental responsibility and lastly (4) loyalty and trust. This model posed several problems, which were mainly due to a lack of discriminant validity. The estimated correlations between the constructs of this model for a scalar invariant model are presented in Table 5.34 for the local and foreign banks. It is clear from these estimates that there is a severe lack of discriminant validity between the four constructs. Following the suggestion by Farrell (2010), the four factor model was abandoned and a single factor model was developed.

Table 5.34: Model implied correlations between original four-factor model of corporate reputation

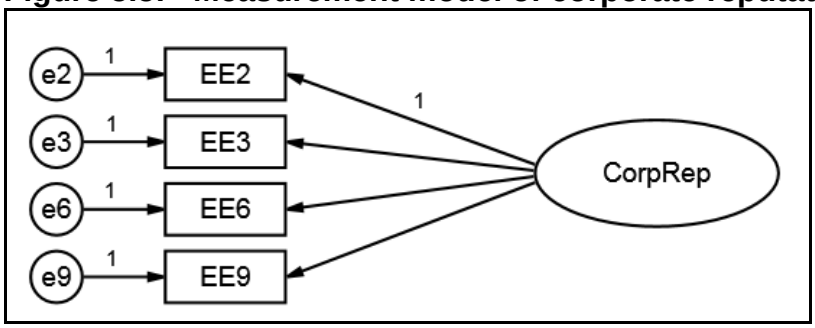
			Correlations	
			Local	Foreign
RelFinStrong	<-->	MarketOffering	0.902	0.955
RelFinStrong	<-->	SocialEnvResp	0.879	0.869
RelFinStrong	<-->	LoyalTrust	0.857	0.841
MarketOffering	<-->	SocialEnvResp	0.898	0.907
MarketOfferingl	<-->	LoyalTrust	0.842	0.838
SocialEnvResp	<-->	LoyalTrust	0.849	0.859

Figure 5.4: Initial measurement model of corporate reputation



In the development of the single factor model for corporate reputation, several steps followed before the final model in Figure 5.5 was deemed appropriate. Firstly, since the dimension Market Offering, and its items were conceptually very close to service quality, which in this study was measured as part of service performance, the construct was excluded. Further, the remaining items were modelled as emanating from a single latent variable named corporate reputation. The initial model did not provide adequate fit, and after the removal of items with low squared multiple correlations, the model in Figure 5.5 was found to be the most useful to measure the corporate reputation as a unidimensional concept.

Figure 5.5: Measurement model of corporate reputation



5.5.2 Testing for the Assumption of Normality of the Items of Corporate Reputation

Table 5.35 presents the findings for assessing normality of corporate reputation across the two groups of banks for the model provided in Figure 5.5. The negative kurtosis values ranged from –0.502 to –0.004, which indicated a normal distribution of data as these values were below the recommended cut-off point of 7 by West *et al*., (1995). An evaluation of the kurtosis values for the local banks in Table 5.36, and for the foreign banks in Table 5.37 lead to a similar conclusion.

Table 5.35: Assessment of normality of corporate reputation for both groups

VARIABLE	MIN	MAX	SKEWNESS	C.R.	KURTOSIS	C.R.
EE9	1.000	7.000	-0.180	-1.029	-0.502	-1.436
EE6	1.000	7.000	-0.212	-1.213	-0.353	-1.010
EE2	1.000	7.000	-0.259	-1.483	-0.438	-1.252
EE3	1.000	7.000	-0.369	-2.109	-0.004	-0.012
Multivariate					11.006	11.12

Table 5.36: Assessment of normality of corporate reputation for local banks

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
EE9	1	7	-0.18	-1.029	-0.502	-1.436
EE6	1	7	-0.212	-1.213	-0.353	-1.010
EE2	1	7	-0.259	-1.483	-0.438	-1.252
EE3	1	7	-0.369	-2.109	-0.004	-0.012
Multivariate					11.006	11.12

Table 5.37: Assessment of normality of corporate reputation for foreign banks

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
EE9	1	7	-0.375	-2.078	-0.336	-0.930
EE6	1	7	-0.416	-2.305	-0.325	-0.900
EE2	1	7	-0.235	-1.302	-0.380	-1.052
EE3	1	7	-0.312	-1.729	-0.606	-1.678
Multivariate					11.742	11.495

5.5.3 Measurement Invariance of the Model for Corporate Reputation

The fit measures in Table 5.38 suggest that measurement invariance can be assumed to hold marginally for the one-factor model of corporate reputation. As depicted in the table, as more measurement constraints were imposed on the measurement model, both the values of the Chi-square and degrees of freedom increased while the number of parameters decreased.

Table 5.38: Fit measures of corporate reputation

	Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
M0	Unconstrained	24	15.0	4	0.005	3.746	62.986
M1	Measurement weights	21	25.1	7	0.001	3.588	67.115
M2	Measurement intercepts	18	31.1	10	0.001	3.106	67.058
M3	Structural means	17	33.4	11	0.000	3.035	67.384
M4	Structural covariances	16	33.4	12	0.001	2.783	65.391
M5	Measurement residuals	12	37.0	16	0.002	2.314	61.016
	Saturated model	28	0.0	0			56.000
	Independence model	16	955.6	12	0.000	79.630	987.555

In Table 5.38, the values of the ratio of chi-square to the degrees of freedom of the unconstrained model, the measurement weights model and the measurement intercepts model were 3.746, 3.588 and 3.106 respectively. This means that the unconstrained model and the measurement weights model had values above the recommended cut-off point, implying a slight mismatch between the model and the data, while the value of the measurement intercepts model was close to the recommended cut-off point of 3.0, which showed that the model had a reasonably close fit to the data.

Table 5.39 depicts values of the alternative fit measures of the first-order confirmatory factor analysis of corporate reputation which comprised IFI, TLI and CFI. Under the baseline comparisons model, values of the configural invariance model, the metric invariance model and the scalar invariance model were higher than 0.953, which is significantly above the recommended cut-off point of 0.900. These fit measures indicated that the models in this first category provided a reasonably good fit to the data and therefore it was appropriate to proceed to the next step of the model results which was the root mean square error of approximation.

The values of the RMSEA for all models ranged between 0.059 and 0.085. The values for the configural invariance model M0 and the metric invariance model M1 were slightly above 0.08, with the values for the other four models within the range of 0.05 to 0.08, implying a reasonable fit of the model to the data as recommended by Diamantopoulos and Siguaw (2000). The SRMR was also below 0.08 for all the models.

Table 5.39: Other fit measures of corporate reputation

	Baseline Comparisons				
	Model	**IFI**	**TLI**	**CFI**	**SRMR**
M0	Configural Invariance	0.984	0.953	0.988	0.0269
M1	Metric Invariance	0.974	0.955	0.981	0.0307
M2	Scalar Invariance	0.967	0.961	0.978	0.0306
M3	Means Invariance	0.965	0.962	0.976	0.0308
M4	Factor variance and covariance invariance	0.965	0.965	0.977	0.0307
M5	Error variance invariance	0.961	0.971	0.978	0.0322
	Saturated model	1.000		1.000	
	Independence model	0.000	0.000	0.000	
	Model	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
M0	Configural Invariance	0.085	0.042	0.133	0.083
M1	Metric Invariance	0.083	0.049	0.119	0.053
M2	Scalar Invariance	0.075	0.046	0.105	0.077
M3	Means Invariance	0.073	0.046	0.103	0.079
M4	Factor variance and covariance invariance	0.069	0.042	0.097	0.119
M5	Error variance invariance	0.059	0.034	0.084	0.251
	Independence model	0.456	0.432	0.481	0.000

Table 5.40 depicts the nested model comparisons of corporate reputation. Comparing the measurement weights model (M1) to the unconstrained model (M0), the difference in the chi-square values is $25.1 - 15 = 10.1$, with a corresponding difference in the degrees of freedom of $7 - 4 = 3$. The difference in fit is significant

($p = 0.017$) at $\alpha = 0.05$ level of significance, and therefore implying that the model with the measurement weights constrained cannot be assumed to fit as well as the unconstrained model.

When the measurement intercepts model, the structural means model, the structural covariances model and the measurement residuals model are constrained, and compared to their respective reference models, the differences in fit are not significant ($p = 0.114$; 0.127; 0.935 and 0.459), when compared to their respective reference models. These values imply that although the model of equal measurement weights was not tenable for the measure of corporate reputation, once the model of equal measurement weights is enforced, scalar invariance seems to be reasonable. In order to proceed with further analysis, a model where the measurement weights and the measurement intercepts are constrained equal will be used in further analysis. This decision was based on the recommendation by Little *et al.* (2007) who advises against the use of cut-off criteria as tick boxes for adequate model fit, and suggested to use relaxed criteria for the fit indices when one is testing for measurement invariance. The researcher therefore followed these guidelines for fit, imposing measurement weight and measurement intercepts restrictions on the model with relaxed fit criteria in order to have a more rigorous base of comparison at the next level of analysis, in the structural part of the model, as will be done in Chapter 6.

Table 5.40: Nested model comparisons of corporate reputation

Nested model	Model	ΔDF	ΔCMIN	P
M0	**Assuming model Unconstrained (M0) to be correct:**			
M1-M0	Measurement weights	3	10.130	0.017
M2-M0	Measurement intercepts	6	16.072	0.013
M3-M0	Structural means	7	18.398	0.010
M4-M0	Structural covariances	8	18.405	0.018
M5-M0	Measurement residuals	12	22.030	0.037
M1	**Assuming model Measurement weights (M1) to be correct:**			
M2-M1	Measurement intercepts	3	5.943	0.114
M3-M1	Structural means	4	8.269	0.082
M4-M1	Structural covariances	5	8.275	0.142
M5-M1	Measurement residuals	9	11.901	0.219
M2	**Assuming model Measurement intercepts (M2) to be correct:**			
M3-M2	Structural means	1	2.326	0.127
M4-M2	Structural covariances	2	2.333	0.312
M5-M2	Measurement residuals	6	5.958	0.428
M3	**Assuming model Structural means (M3) to be correct:**			
M4-M3	Structural covariances	1	0.007	0.935
M5-M3	Measurement residuals	5	3.632	0.603
M4	**Assuming model Structural covariances (M4) to be correct:**			
M5-M4	Measurement residuals	4	3.626	0.459

5.5.4 Maximum Likelihood Parameter Estimates of the Scalar Invariant Model of Corporate Reputation

Table 5.41 shows the estimated values of the regression weights and intercepts of the scalar invariant or equal measurement intercepts model. The values of the regression weights of both groups of banks are highly significant, thus providing support for convergent validity between the measured indicator variables and the latent variable in the model. The measured variables between the local banks and the

foreign banks had the same intercept values. This similarity was because of the invariance restrictions that were imposed on the model. The coefficient of item EE2 was constrained equal to one for the purpose of model identification, while the corresponding intercept value of the parameter was constrained equal to zero.

Table 5.41: Maximum likelihood parameter estimates of corporate reputation

			Regression weights		Intercepts	Standardised Loadings	
			Local & Foreign	Sig.	Local & Foreign	Local	Foreign
EE2	<---	CorpRep	1.000		0.000	0.915	0.877
EE3	<---	CorpRep	0.955	***	0.400	0.845	0.854
EE6	<---	CorpRep	0.942	***	0.280	0.810	0.823
EE9	<---	CorpRep	0.897	***	0.513	0.756	0.774

Using the scalar invariant model, a comparative analysis between local and foreign banks was carried out based on the model implied mean and model implied variance as generated from the first-order confirmatory factor analysis of corporate reputation as depicted in Table 5.42.

Table 5.42: Estimated latent variable means and variances of corporate reputation

Latent Variable	Means				Variances	
	Local	Foreign	Difference	Sig.	Local	Foreign
CorpRep	4.818	5.017	0.199	0.127	1.472	1.452

Foreign banks seem to be slightly perceived better in terms of corporate reputation than local banks, however, the difference in means is not significant (p=0.127). The values of the estimated squared multiple correlations are depicted in Table 5.43 were higher than 0.20 (Hooper, Coughlan & Mullen, 2008).

Table 5.43: Estimated error variances and squared multiple correlations of corporate reputation

Estimated error variance			Squared multiple correlation		
Error Variance	Local	Foreign	Item	Local	Foreign
e2	0.286	0.436	EE2	0.838	0.769
e3	0.539	0.491	EE3	0.713	0.730
e6	0.687	0.614	EE6	0.656	0.677
e9	0.889	0.784	EE9	0.571	0.598

5.5.5 Convergent Validity of the Measure for Customer Satisfaction and Reliability of the Measure

Using the approach of Fornell and Larcker (1981), the composite reliability values were calculated for the foreign and local banks based on the estimated parameters presented in the previous section. The composite reliability shown in Table 5.44, was 0.822 for local banks and 0.827 for foreign banks, which lend support for the convergent validity of the measure for corporate reputation. The Cronbach's coefficient alpha value was 0.899 for both local and foreign banks, and 0.896 and 0.901 for the local and foreign banks respectively, which indicates that the measure for corporate reputation was sufficiently reliable.

Table 5.44: Reliability analysis of corporate reputation

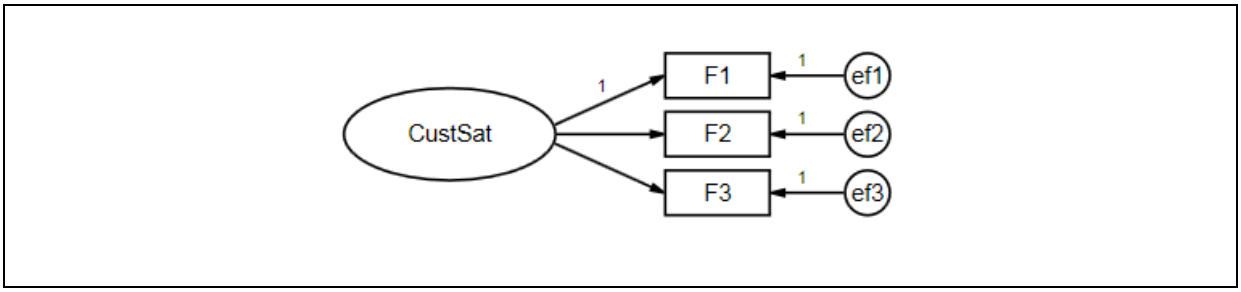
Convergent validity assessment		Composite Reliability		
		Local	Foreign	
Corporate Reputation		0.822	0.827	
Cronbach's alpha		**Local**	**Foreign**	**Both**
Corporate Reputation	E2, E3, E6, E9	0.896	0.901	0.899

5.6 THE MEASUREMENT MODEL OF CUSTOMER SATISFACTION

5.6.1 A Confirmatory Factor Analysis of Customer Satisfaction

In Figure 5.6, the first-order confirmatory factor analysis model of customer satisfaction is presented. This model was conceptualized as a single latent variable indicated or measured by three items.

Figure 5.6: A first-order confirmatory factor analysis model of customer satisfaction



The indicators for customer satisfaction are as follows: F1: general satisfaction with the service of their specific banks; F2: feelings towards their particular bank; and F3: expectation about continuing being a customer in the next year.

5.6.2 Testing for the Assumption of Normality of the Items of Customer Satisfaction

The univariate normality assessment values are presented in Table 5.45, 5.46 and 5.47 for both banks, foreign and local banks respectively. Using the criteria of West *et al.* (1995), there does not seem to be a serious departure in terms of the kurtosis values of the items.

Table 5.45: Assessment of normality of customer satisfaction for both banks

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
F3	1	7	-0.873	-6.951	0.512	2.037
F2	1	7	-0.780	-6.211	0.697	2.773
F1	1	7	-0.802	-6.381	0.589	2.343
Multivariate					9.591	17.068

Table 5.46: Assessment of normality of customer satisfaction for foreign banks

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
F3	1	7	-0.896	-5.123	0.78	2.229
F2	1	7	-0.655	-3.742	0.527	1.506
F1	1	7	-0.821	-4.692	0.569	1.627
Multivariate					2.179	2.784

Table 5.47: Assessment of normality of customer satisfaction for local banks

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
F3	1	7	-0.877	-4.859	0.261	0.724
F2	1	7	-0.926	-5.126	0.867	2.401
F1	1	7	-0.801	-4.434	0.622	1.722
Multivariate					17.731	21.956

5.6.3 Measurement Invariance of the Model for Customer Satisfaction

The fit measures of the measurement invariance testing results of the confirmatory factor analysis model of customer satisfaction are presented in Table 5.48.

Table 5.48: Fit measures for the invariance testing of the model of customer satisfaction

	Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
M0	Unconstrained	18	0.000	0			36.000
M1	Measurement weights	16	4.238	2	0.120	2.119	36.238
M2	Measurement intercepts	14	4.807	4	0.308	1.202	32.807
M3	Structural means	13	7.702	5	0.173	1.540	33.702
M4	Structural covariances	12	9.529	6	0.146	1.588	33.529
M5	Measurement residuals	9	10.536	9	0.309	1.171	28.536
	Saturated model	18	0.000	0			36.000
	Independence model	12	562.114	6	0.000	93.686	586.114

The values of the ratio of chi-square to the degrees of freedom of the measurement weights model and the measurement intercepts model were below the threshold point of 3, indicating that the model fitted the data well. This implies that both values of the factor loadings can be assumed to be invariant across the two groups of customers and the scales of the measurement instruments had the same origin across the two groups.

Table 5.49 presents the alternative fit measures of the first-order model of customer satisfaction. Values of the Incremental Fit Index, the Tucker Lewis Index and the Comparative Fit Index ranged from 0.994 to 0.999 between the measurement weights model and the structural covariances model. These fit indices all suggest excellent fit.

The RMSEA value for the measurement weights model (M1) suggests a reasonable fit as the value was between 0.05 and 0.08 while the remaining models, the measurement intercepts (M2), structural means (M3), structural covariances (M4) and measurement residuals (M5) suggest good fit as the values were below 0.05 as recommended by (Diamantopoulos & Siguaw, 2000). The SRMR was also below 0.08 for all the models. These results provide evidence that measurement invariance can be assumed to hold across the two groups based on the measure of customer satisfaction.

Table 5.49: Other fit measures for the invariance testing of the model of customer satisfaction

	Baseline Comparisons				
	Model	**IFI**	**TLI**	**CFI**	**SRMR**
M0	Unconstrained	1.000		1.000	0.0000
M1	Measurement weights	0.996	0.988	0.996	0.0206
M2	Measurement intercepts	0.999	0.998	0.999	0.0195
M3	Structural means	0.995	0.994	0.995	0.0193
M4	Structural covariances	0.994	0.994	0.994	0.0151
M5	Measurement residuals	0.997	0.998	0.997	0.0170
	Saturated model	1.000		1.000	
	Independence model	0.000	0.000	0.000	
	Model	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
M0	Measurement weights	0.054	0.000	0.128	0.357
M1	Measurement intercepts	0.023	0.000	0.084	0.693
M2	Structural means	0.038	0.000	0.087	0.590
M3	Structural covariances	0.039	0.000	0.084	0.590
M4	Measurement residuals	0.021	0.000	0.064	0.837
M5	Independence model	0.495	0.461	0.530	0.000

Table 5.50 presents the nested model comparisons of single factor model of customer satisfaction. The results depict that when the measurement weights model is compared with the unconstrained model, the difference in the chi-square value is calculated as $4.238 - 0 = 4.238$, with the corresponding difference in the degrees of

freedom calculated as $2 - 0 = 2$. The difference in fit is not significant ($p = 0.120$) and therefore it can be inferred that the model with the measurement weights constrained equal can be assumed to fit as well as the unconstrained model.

When the next measurement invariance constraints, namely the measurement intercepts, are introduced into the model, the chi-square value difference is $4.807 - 4.238 = 0.569$, with the difference in the degrees of freedom equal to $4 - 2 = 2$. The difference in fit is not significant ($p = 0.752$) and therefore the model with the measurement intercepts constrained can be assumed to fit as well as the model with the measurement weights constrained. Moreover, when the structural means are introduced in the model, the chi-square value difference is $7.702 - 4.807 = 2.895$, and the corresponding value of the degrees of the freedom is $5 - 4 = 1$. With this model, the difference in fit is not significant at $\alpha = 0.05$ level of significance ($p = 0.089$) implying that the model with the structural means constrained can be assumed to fit almost as well as the model with the measurement intercepts constrained.

Table 5.50: Nested model comparisons for the invariance testing of the model for customer satisfaction

Nested models	Model	ΔDF	ΔCMIN	P
M0	**Assuming model Unconstrained (M0) to be correct:**			
M1-M0	Measurement weights	2	4.238	0.120
M2-M0	Measurement intercepts	4	4.807	0.308
M3-M0	Structural means	5	7.702	0.173
M4-M0	Structural covariances	6	9.529	0.146
M5-M0	Measurement residuals	9	10.536	0.309
M1	**Assuming model Measurement weights (M1) to be correct:**			
M2-M1	Measurement intercepts	2	0.569	0.752
M3-M1	Structural means	3	3.464	0.325
M4-M1	Structural covariances	4	5.291	0.259
M5-M1	Measurement residuals	7	6.298	0.505
M2	**Assuming model Measurement intercepts (M2) to be correct:**			
M3-M2	Structural means	1	2.895	0.089
M4-M2	Structural covariances	2	4.722	0.094
M5-M2	Measurement residuals	5	5.729	0.334
M3	**Assuming model Structural means (M3) to be correct:**			
M4-M3	Structural covariances	1	1.827	0.177
M5-M3	Measurement residuals	4	2.834	0.586
M4	**Assuming model Structural covariances (M4) to be correct:**			
M5-M4	Measurement residuals	3	1.007	0.800

Lastly, when the structural covariances and measurement residuals models are constrained, the chi-square test remain insignificant ($p = 0.177; 0.800$) at $\alpha = 0.05$ level of significance. It can therefore be concluded that the measurement invariance holds across local and foreign banks for the proposed first-order measurement model of customer satisfaction.

5.6.4 Maximum Likelihood Parameter Estimates of the Scalar Invariant Model of Customer Satisfaction

Table 5.51 presents the values of the regression weights and intercepts. The values of the regression weights are highly significant providing support for convergent validity between the construct and the measured variables for local and foreign banks. The equal regression estimates and equal intercept values was because of the invariance restrictions that were imposed on the model, while one of the regression coefficient values for item F1 was constrained equal to one and the corresponding intercept equal to zero for the purpose of model identification.

Table 5.51: Maximum likelihood parameter estimates of customer satisfaction

			Regression weights		Intercepts	Standardised Loadings	
			Local & Foreign	Sig.	Local & Foreign	Local	Foreign
F1	<---	CustSat	1.000		0.000	0.790	0.845
F2	<---	CustSat	1.084	***	-0.507	0.905	0.924
F3	<---	CustSat	1.060	***	-0.230	0.716	0.759

The difference in the means scores for customer satisfaction in Table 5.52 indicates that in general customers of foreign banks (5.333) slightly more satisfied with their bank than customers of local banks (5.143), however, this difference is marginally significant at α=0.10, ($p = 0.089$).

Table 5.52: Estimated latent variable means and variances of customer satisfaction

Latent	Means				Variances	
Variable	Local	Foreign	Difference	Sig.	Local	Foreign
Customer Satisfaction	5.143	5.333	0.190	0.089	0.929	1.160

The estimated squared multiple correlations of the first-order model of customer satisfaction are presented in Table 5.53 were above the standard cut-off point of 0.20 as recommended by Hooper, Coughlan and Mullen, (2008).

Table 5.53: Estimated error variances and squared multiple correlations of customer satisfaction

Estimated error variance			Squared multiple correlation		
Error Variance	Local	Foreign	Item	Local	Foreign
ef1	0.559	0.463	F1	0.624	0.715
ef2	0.241	0.234	F2	0.819	0.854
ef3	0.993	0.962	F3	0.513	0.575

5.5.5 Convergent Validity of the Measure for Customer Satisfaction and Reliability of the Measure

Based on the estimated parameters presented in the preceding section, the composite reliability values were calculated for the foreign and local banks using the approach of Fornell and Larcker (1981). The composite reliability shown in Table 5.54, was 0.764 for local banks and 0.794 for foreign banks supporting the convergent validity of the measure for customer satisfaction. The Cronbach's coefficient alpha value was and 0.845 and 0.867 for each of the local and foreign banks respectively, and 0.858 for the two banks combined, which indicates that the measure for corporate reputation was sufficiently reliable.

Table 5.54: Reliability analysis of customer satisfaction

Convergent validity assessment		Composite Reliability		
		Local	Foreign	
Customer Satisfaction		0.764	0.794	
Cronbach's alpha		**Local**	**Foreign**	**Both**
Customer Satisfaction	F1, F2, F3	0.845	0.867	0.858

5.7 CHAPTER SUMMARY

In this chapter the results of the confirmatory factor analysis models that were used to investigate the psychometric properties as well as the internal consistency measures of the key constructs in the study were presented. The empirical results from the study indicate that the measurement models examined do fit the data adequately, and that measurement invariance was tenable across local and foreign banks. Measurement validity and reliability can therefore be assumed to hold across both local and foreign banks. Since these were established as a base, as recommended by Anderson and Gerbing (1988) it is appropriate to use the various models in a subsequent analysis to examine the structural relationships between the measures. These are covered in Chapter 6.

CHAPTER 6

RESULTS OF THE SUBSTANTIVE ANALYSES

6.1 INTRODUCTION

This empirical study explores the relationship between personal cultural orientations and service performance, and their further relationships with the outcome variables customer satisfaction and corporate reputation using customer satisfaction as a mediating latent variable in the model. The findings are compared between foreign and local banks in Tanzania. This investigation was done on the basis of a comparative analysis across the two groups of banks. The comparative analysis was based on the theoretical foundations of the relationships between consumer perceptions of service performance and how these may be influenced by customers' cultural orientations, as culture has been successfully associated with various outcomes of customers' behaviours and attitudes (Boonghee & Naveen, 2005). In addition, the relationships between service performance, customer satisfaction and corporate reputation were included in the comparative analysis of local and foreign banks. As in Chapter 5, the total number of customers was 380, with 196 using local banks and 184 using foreign banks.

In examining the interrelationships between the constructs, multiple group structural equation modelling (MGSEM) was applied. MGSEM can be defined as a multivariate procedure that is designed to combine aspects of factor analysis and multiple regression analysis, making it possible for the researcher to simultaneously investigate a series of interrelated dependence relationships among the observed variables and latent variables as well as between several latent variables. In the structural diagram in Figure 6.1, the regression type relationship is given by a one-headed arrow which flows from the independent or exogenous variable to the dependent or endogenous variable (Hair, *et al*., 2010).

This approach provides a basis for exploring meaningful statistical inferences about the theoretical constructs under examination. The test of the structural relationships between constructs usually comes after examining the convergent and discriminant validities of the measurement models (Anderson & Gerbing, 1988). Since a comparative analysis is conducted, it is further required that measurement invariance of the measurement models be tested in order to allow a rigorous assessment of the structural relationships. This approach was adopted in this chapter.

For this study, two structural equation models were developed. The first one was to investigate the relationships between service performance, customer satisfaction and corporate reputation. The second model examines the effects of cultural orientations on the dimensions of service performance. All these models were tested simultaneously by constraining the measurement weights and measurement intercepts of all the indicator items equal across local and foreign banks and freeing the remaining structural parameters thereby allowing the researcher to examine the differences between local and foreign banks. The rationale for testing the models separately was to avoid too much complexity in the testing of moderation.

6.2 HYPOTHESES OF THE RELATIONSHIPS BETWEEN SERVICE PERFORMANCE, CUSTOMER SATISFACTION AND CORPORATE REPUTATION

Figure 6.1 depicts the structural equation model that was applied to examine the plausibility of hypotheses about the interrelationships among the constructs: service performance, customer satisfaction and corporate reputation. Several

studies have found that service performance is an important determination of both customer satisfaction (Cronin and Taylor, 1992, Fen & Lian, 2007) and corporate reputation (Wang, Lo & Hui, 2003), and that customer satisfaction is positively related to corporate reputation (Henning-Thurau, Gwinner & Gremler, 2002). With the different conceptualisation of service performance in this study, it would be informative to investigate the relative importance of the different service performance dimensions on customer satisfaction and the relationship with corporate reputation.

In Figure 6.1 the service performance dimensions are hypothesised to have an effect on both customer satisfaction and corporate reputation, while customer satisfaction also influences corporate reputation. A variable that only receives an arrow and does not have an arrow leaving it is denoted in SEM literature to be an outcome variable or endogenous variable, while a variable that only has arrows emanating from it is denoted as an exogenous variable or the independent variable (Bollen, 1989). Therefore, the model in Figure 6.1 has service innovation and service quality as exogenous variables that are modelled to have an effect on customer satisfaction and corporate reputation.

It should be noted that the advantage of the SEM method is that the modeling of measurement errors of the observed variables is incorporated in the model. These error terms are an inherent advantage of SEM models, which enables the researcher to utilise measured variables. Despite not being perfectly capable of describing the latent variables of interest, it still allows the researcher to examine the structural parameters without measurement error (Hair, *et al*., 2010).

The model in Figure 6.1 is used to test the first five key hypotheses in a single model. Prior to providing the results of the model in Sections 6.3 and 6.4, the rationale for the hypotheses are explained here.

H1: The relationship between service innovation and customer satisfaction

Creating unique services, which is referred to as service innovation, plays a fundamental role in meeting customers' expectations and hence their satisfaction. For example, new banking products, such as a bond on fixed property that allows flexible repayment options, influence customer satisfaction as they contribute to a customer's sense of getting value for money. It is therefore hypothesised that there is a positive relationship between service innovation and customer satisfaction. The first hypothesis is therefore:

Hypothesis 1a: There is a positive relationship between service innovation and customer satisfaction for both local and foreign banks ($b_{1L}>0$) and ($b_{1F}>0$).

Differences are expected in how the two groups of customers perceive service innovativeness and how service innovation influences customer satisfaction. These differences are expected, due to the foreign banks tending to have stronger financial means than local banks and hence being highly innovative in terms of their services, responding to the continuous changing of their customers' preferences. Therefore the second part of the first hypothesis is:

Hypothesis 1b: Foreign and local banks differ in the strength of the relationship between service innovation and customer satisfaction ($b_{1L}\neq b_{1F}$).

H2: The relationship between service innovation and corporate reputation

Banks that innovative, for example by providing flexible products will result in a more a favourable perception of the banks' reputation.

Hypothesis 2a: There is a positive relationship between service innovation and customer based corporate reputation for both local and foreign banks ($b_{2L}>0$) and ($b_{2F}>0$).

Since foreign and local banks are different in terms of their innovativeness from local banks, it is expected that relationships between service innovation and corporate reputation will be different between local banks' customers and foreign banks' customers.

Hypothesis 2b: Foreign and local banks differ in the strength of the relationship between service innovation and customer based corporate reputation ($b_{2L} \neq b_{2F}$).

H3: The relationship between service quality and customer satisfaction

According to Moguluwa and Ode (2013), there is a very close link between service quality and customer satisfaction. It is therefore hypothesised that there will be a positive relationship between service quality and customer satisfaction for both groups of customers.

Hypothesis 3a: There is a positive relationship between service quality and customer satisfaction for both local and foreign banks ($b_{3L} > 0$) and ($b_{3F} > 0$).

Due to their long experience in banking, foreign banks are expected to deliver better services than local banks. Foreign banks' customers are therefore expected to be more satisfied with the services that their banks are offering than local banks' customers are with theirs, and this is expected to also be evident in differences in the strength of the relationships between service quality and customer satisfaction.

Hypothesis 3b: Foreign and local banks differ in the strength of the relationship between service quality and customer satisfaction for ($b_{3L} \neq b_{3F}$).

H4: The relationship between service quality and corporate reputation

According to Julian and Ramaseshan (1994), excellent service delivery often ensures the improvement of the business firm's reputation. It is therefore hypothesised that there will be a strong positive relationship between service quality and corporate reputation across the two groups of banks.

Hypothesis 4a: There is a positive relationship between service quality and corporate reputation for both local and foreign banks ($b_{4L}>0$) and ($b_{4F}>0$).

Due to expected differences in terms of service quality between the foreign banks and the local banks, the strength of the relationships for with reputation will be different.

Hypothesis 4b: Foreign and local banks differ in the strength of the relationship between service quality and corporate reputation for ($b_{4L}\neq b_{4F}$).

H5: The relationship between customer satisfaction and corporate reputation

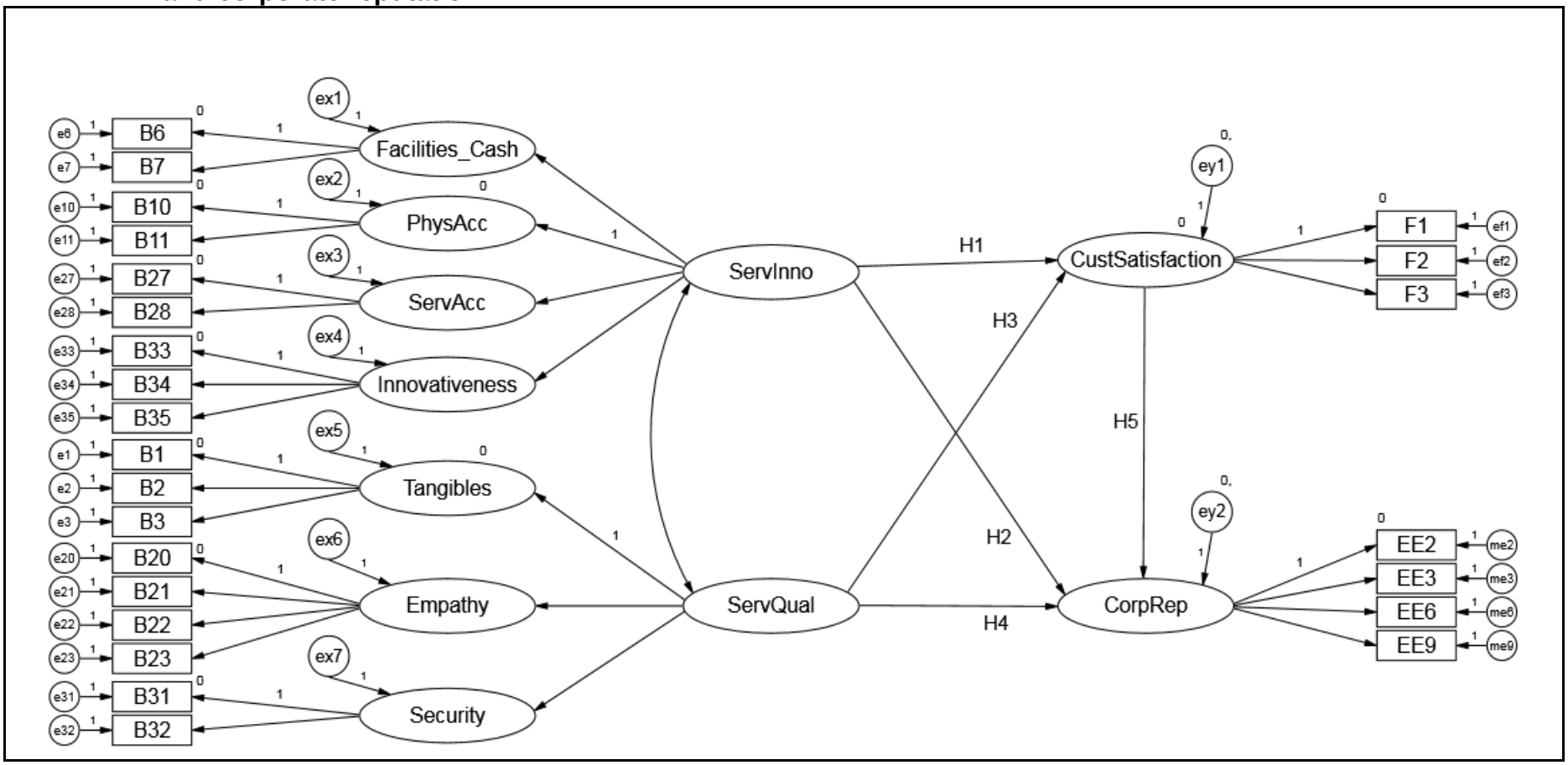
Customer satisfaction is modelled to play a mediating role in the link between service performance and corporate reputation. This service performance remains an imperative towards customer satisfaction (Ravichandran, *et al.*, 2010), while according to Henning-Thurau, *et al.*, (2002), there is a significant relationship between customer satisfaction and corporate reputation.

Hypothesis 5a: There is a positive relationship between customer satisfaction and customer based corporate reputation for both local and foreign banks ($b_{5L}>0$) and ($b_{5F}>0$).

Due to differences between local and foreign banks in satisfaction levels and perceived reputation, the relationship between customer satisfaction and corporate reputation is expected to be different across the two groups.

Hypothesis 5b: Foreign and local banks differ in the strength of the relationship between customer satisfaction and customer based corporate reputation ($b_{5L}\neq b_{5F}$).

Figure 6.1: Structural equation mediation model of the relationships between service peformance, customer satisfaction and corporate reputation



6.3 THE MULTIPLE GROUP STRUCTURAL EQUATION MODEL OF THE RELATIONSHIPS BETWEEN SERVICE PERFORMANCE, CUSTOMER SATISFACTION AND CORPORATE REPUTATION

Before it is appropriate to continue with the testing of the hypotheses, it is important to investigate the measurement invariance of the comprehensive model across local and foreign banks. Therefore, in applying the MGSEM, model MM1 has all the first-order measurement weights and corresponding intercepts constrained equal across groups. In addition, at the second-order level, the second-order weights and corresponding intercepts were also constrained equal for local and foreign banks. Since this model fits the data very well, it allows the researcher to investigate the research hypotheses based on the assumption that measurement weight and measurement intercept invariance hold at the measurement level of the model. This allows for the conceptual model across local and foreign banks to be compared, allowing a more rigorous and valid comparisons of the model parameters between local and foreign banks.

6.3.1 Fit Measures of the Invariance Testing of the Model of Service Performance, Customer Satisfaction and Corporate Reputation

Table 6.1 contains the fit measures for measurement invariance testing of the measurement part of the MGSEM model over local and foreign banks. In this model, the structural paths for H1 to H5 were not constrained equal, and neither were the structural intercepts at customer satisfaction and corporate reputation constrained equal on any of the models MM0 to MM8. However, in models MM5, MM6, MM7 and MM8, the means of the exogenous latent variables of service innovation and service quality were constrained equal.

Table 6.1: Fit measures of the invariance testing of the multiple group structural equation model of service performance, customer satisfaction and corporate reputation

INVARIANCE TESTING MODELS	NPAR	CMIN	DF	P	CMIN/DF	AIC
MM0: Unconstrained	176	995.0	524	0.000	1.899	1347.0
MM1: Measurement weights	160	1014.4	540	0.000	1.879	1334.4
MM2: Measurement intercepts	144	1036.6	556	0.000	1.864	1324.6
MM3: Second-order weights	139	1038.2	561	0.000	1.851	1316.2
MM4: Second-order intercepts	134	1042.6	566	0.000	1.842	1310.6
MM5: Second-order means	132	1051.1	568	0.000	1.851	1315.1
MM6: Second-order covariances	129	1056.9	571	0.000	1.851	1314.9
MM7: Second-order residuals	120	1075.7	580	0.000	1.855	1315.7
MM8: Measurement residuals	95	1117.6	605	0.000	1.847	1307.6
Saturated model	700	0.0	0			1400.0
Independence model	100	6916.0	600	0.000	11.527	7116.0

In Table 6.1, the ratio of the Chi-square to the degrees of freedom for all nine models were between 1.847 and 1.899, which were below the recommended cut-off point of 3.0, suggesting that the structural model fitted the data well for all the models with increasing sets of restrictions. The Akaike Information Criterion was at its lowest for model MM4, where the structural weights and structural intercepts at the second-order level of the service performance model were constrained equal.

The fit measures IFI, TLI and CFI in Table 6.2 are all above the recommended cut-off point of 0.9. In addition, the values of the RMSEA for all models range between 0.047 and 0.049. These values indicate firstly an acceptable fit of the structural model to the data, and that measurement invariance of the model is tenable. The SRMR was also below 0.08 for all the models, up to the level of MM6, second-order covariances.

Table 6.2: Other fit measures of the model of service performance, customer satisfaction and corporate reputation

Baseline Comparisons **MODEL**	**IFI**	**TLI**	**CFI**	**SRMR**
MM0: Unconstrained	0.926	0.915	0.925	0.0698
MM1: Measurement weights	0.926	0.917	0.925	0.0701
MM2: Measurement intercepts	0.924	0.918	0.924	0.0700
MM3: Second-order weights	0.925	0.919	0.924	0.0697
MM4: Second-order intercepts	0.925	0.920	0.925	0.0698
MM5: Second-order means	0.924	0.919	0.924	0.0698
MM6: Second-order covariances	0.923	0.919	0.923	0.0785
MM7: Second-order residuals	0.922	0.919	0.922	0.0819
MM8: Measurement residuals	0.919	0.920	0.919	0.0825
Saturated model	1.000		1.000	
Independence model	0.000	0.000	0.000	
RMSEA **MODEL**	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
MM0: Unconstrained	0.049	0.044	0.053	0.665
MM1: Measurement weights	0.048	0.044	0.053	0.737
MM2: Measurement intercepts	0.048	0.043	0.052	0.784
MM3: Second-order weights	0.047	0.043	0.052	0.823
MM4: Second-order intercepts	0.047	0.043	0.052	0.846
MM5: Second-order means	0.047	0.043	0.052	0.825
MM6: Second-order covariances	0.047	0.043	0.052	0.825
MM7: Second-order residuals	0.048	0.043	0.052	0.817
MM8: Measurement residuals	0.047	0.043	0.052	0.842
Independence model	0.167	0.163	0.170	0.000

Table 6.3 presents the nested comparisons of the MGSEM model of service performance, customer satisfaction and corporate reputation.

When the measurement weights model is compared to the unconstrained model, the difference in Chi square (MM1-MM0) was calculated as 1014.4 – 995 = 19.4, and the corresponding degrees of freedom was calculated as 540 – 524 = 16. The difference in fit is not significant (p = 0.247), and therefore it can be inferred that the structural model with measurement weights constrained can be assumed to fit as well as the unconstrained model. When the measurement intercepts model (MM2) is compared

against the measurement weights model (MM1), the difference (MM2-MM1) in fit is not significant ($p = 0.136$), implying that the measurement intercepts model can be regarded to fit as well as the measurement weights model.

In addition, when the structural weights (MM3) are compared against the measurement intercepts model (MM2), the difference (MM3-MM2) in Chi-square was $1038.2 - 1036.6 = 1.6$, with the corresponding difference in the degrees of freedom calculated as $561 - 556 = 5$. The difference in fit is not significant ($p = 0.908$). This output implies that when the structural weights are constrained in addition to the measurement intercepts, the difference in fit is not significant. It is therefore tenable to have the second-order weights between the first order latent variables and the second-order latent variables equal in the model.

With the structural intercepts at the first order latent variables (MM4) constrained equal, the difference in fit is also insignificant ($p = 0.494$), implying that the structural intercepts model can be assumed to fit as well as the structural weights model.

The difference in fit of the structural means model, structural residuals model and measurement residuals model were all significant, with their respective *p* values being 0.014, 0.027 and 0.019. These parameters were left to be freely estimated.

Table 6.3: Nested model comparisons of the multiple group structural equation model of service performance, customer satisfaction and corporate reputation

MODEL	ΔDF	ΔCMIN	P
Assuming model Unconstrained (MM0) to be correct:			
MM1-MM0: Measurement weights	16	19.433	0.247
MM2-MM0: Measurement intercepts	32	41.667	0.118
MM3-MM0: Second-order weights	37	43.209	0.223
MM4-MM0: Second-order intercepts	42	47.602	0.255
MM5-MM0: Second-order means	44	56.122	0.104
MM6-MM0: Second-order covariances	47	61.931	0.071
MM7-MM0: Second-order residuals	56	80.718	0.017
MM8-MM0: Measurement residuals	81	122.601	0.002
Assuming model Measurement weights (MM1) to be correct:			
MM2-MM1: Measurement intercepts	16	22.234	0.136
MM3-MM1: Second-order weights	21	23.776	0.304
MM4-MM1: Second-order intercepts	26	28.169	0.350
MM5-MM1: Second-order means	28	36.689	0.126
MM6-MM1: Second-order covariances	31	42.498	0.082
MM7-MM1: Second-order residuals	40	61.285	0.017
MM8-MM1: Measurement residuals	65	103.168	0.002
Assuming model Measurement intercepts (MM2) to be correct:			
MM3-MM2: Second-order weights	5	1.542	0.908
MM4-MM2: Second-order intercepts	10	5.935	0.821
MM5-MM2: Second-order means	12	14.455	0.273
MM6-MM2: Second-order covariances	15	20.264	0.162
MM7-MM2: Second-order residuals	24	39.051	0.027
MM8-MM2: Measurement residuals	49	80.934	0.003
Assuming model Second-order weights (MM3) to be correct:			
MM4-MM3: Second-order intercepts	5	4.392	0.494
MM5-MM3: Second-order means	7	12.913	0.074
MM6-MM3: Second-order covariances	10	18.722	0.044
MM7-MM3: Second-order residuals	19	37.509	0.007
MM8-MM3: Measurement residuals	44	79.392	0.001
Assuming model Second-order intercepts (MM4) to be correct:			
MM5-MM4: Second-order means	2	8.521	0.014
MM6-MM4: Second-order covariances	5	14.330	0.014
MM7-MM4: Second-order residuals	14	33.117	0.003
MM8-MM4: Measurement residuals	39	75.000	0.000
Assuming model Second-order means (MM5) to be correct:			
MM6-MM5: Second-order covariances	3	5.809	0.121
MM7-MM5: Second-order residuals	12	24.596	0.017
MM8-MM5: Measurement residuals	37	66.479	0.002
Assuming model Second-order covariances (MM6) to be correct:			
MM7-MM6: Second-order residuals	9	18.787	0.027
MM8-MM6: Measurement residuals	34	60.670	0.003
Assuming model Second-order residuals (MM7) to be correct:			
MM8-MM7: Measurement residuals	25	41.883	0.019

6.3.2 Maximum Likelihood Estimates of the Measurement Invariant Model of Service Performance, Customer Satisfaction and Corporate Reputation

The maximum likelihood parameter estimates of model MM4, in which the measurement weights, the measurement intercepts, the second-order weights and the second-order intercepts were constrained equal for local and foreign banks, are provided in Table 6.4. This model is a rigorous base for testing hypotheses 1a to 5a. Based on the model estimates in Table 6.4, the results for each of the hypotheses can be interpreted.

Hypothesis 1a: There is a positive relationship between service innovation and customer satisfaction for both local and foreign banks ($b_{1L}>0$) and ($b_{1F}>0$).

The output suggests that service innovation does not have a significant effect on customer satisfaction in either of the two groups of banks as the coefficient values were $b_{1L} = -0.030$ ($p = 0.908$) for local banks and $b_{1F} = 0.051$ ($p = 0.768$) were both not significant, leading to the rejection of H1a.

Hypothesis 2a: There is a positive relationship between service innovation and corporate reputation for both local and foreign banks ($b_{2L}>0$) and ($b_{2F}>0$).

The output suggests that service innovation does not have a significant effect on customer satisfaction for the local bank customers $b_{1F} = -0.328$ ($p = 0.245$), leading to the rejection of H2a for local bank customers. However, for the foreign bank customers the coefficient was equal to $b_{2F} = -0.345$ ($p = 0.039$) which provides empirical support that H2a is tenable for foreign bank customers.

Table 6.4: Estimates of the model relating service performance, customer satisfaction and corporate reputation

				Regression Coefficients				Intercepts		Standardised coefficients	
				Local Banks		Foreign Banks		Local	Foreign	Local	Foreign
				Estimate	P	Estimate	P	Estimate	Estimate	Estimate	Estimate
H1a:	CustSatisfaction	<---	ServInno	-0.030	0.908	0.051	0.768	1.774	1.322	-0.024	0.048
H3a:	CustSatisfaction	<---	ServQual	0.730	0.002	0.758	***			0.655	0.685
H2a:	CorpRep	<---	ServInno	-0.328	0.245	-0.368	0.039			-0.217	-0.309
H4a:	CorpRep	<---	ServQual	1.181	***	1.081	***	-0.842	-0.493	0.862	0.883
H5a:	CorpRep	<---	CustSatisfaction	0.264	0.017	0.324	0.002			0.215	0.293
	Facilities_Cash	<---	ServInno	0.947	***	0.947	***	0.426	0.426	0.533	0.693
	PhysAcc	<---	ServInno	1.000		1.000		0.000	0.000	0.596	0.728
	ServAcc	<---	ServInno	0.985	***	0.985	***	0.218	0.218	0.572	0.807
	Innovativeness	<---	ServInno	1.054	***	1.054	***	0.234	0.234	0.795	0.831
	Tangibles	<---	ServQual	1.000		1.000		0.000	0.000	0.798	0.839
	Empathy	<---	ServQual	1.232	***	1.232	***	-1.126	-1.126	0.833	0.900
	Security	<---	ServQual	1.069	***	1.069	***	-0.009	-0.009	0.769	0.861
	EE2	<---	CorpRep	1.000		1.000		0.000	0.000	0.899	0.875
	EE3	<---	CorpRep	0.961	***	0.961	***	0.371	0.371	0.841	0.847
	EE6	<---	CorpRep	0.963	***	0.963	***	0.178	0.178	0.818	0.829
	EE9	<---	CorpRep	0.922	***	0.922	***	0.390	0.390	0.769	0.781
	F1	<---	CustSatisfaction	1.000		1.000		0.000	0.000	0.799	0.841
	F2	<---	CustSatisfaction	1.050	***	1.050	***	-0.333	-0.333	0.873	0.903
	F3	<---	CustSatisfaction	1.105	***	1.105	***	-0.464	-0.464	0.755	0.788
	B6	<---	Facilities_Cash	1.000		1.000		0.000	0.000	0.815	0.799
	B7	<---	Facilities_Cash	0.999	***	0.999	***	0.050	0.050	0.850	0.838
	B10	<---	PhysAcc	1.000		1.000		0.000	0.000	0.864	0.838
	B11	<---	PhysAcc	1.005	***	1.005	***	-0.155	-0.155	0.799	0.808
	B27	<---	ServAcc	1.000		1.000		0.000	0.000	0.914	0.842
	B28	<---	ServAcc	0.976	***	0.976	***	-0.083	-0.083	0.777	0.678
	B33	<---	Innovativeness	1.000		1.000		0.000	0.000	0.742	0.859
	B34	<---	Innovativeness	0.994	***	0.994	***	-0.026	-0.026	0.786	0.877
	B35	<---	Innovativeness	0.926	***	0.926	***	0.336	0.336	0.693	0.821
	B1	<---	Tangibles	1.000		1.000		0.000	0.000	0.746	0.793
	B2	<---	Tangibles	1.071	***	1.071	***	-0.174	-0.174	0.862	0.833
	B3	<---	Tangibles	1.003	***	1.003	***	0.389	0.389	0.811	0.820
	B20	<---	Empathy	1.000		1.000		0.000	0.000	0.858	0.867
	B21	<---	Empathy	0.964	***	0.964	***	0.196	0.196	0.829	0.880
	B22	<---	Empathy	0.906	***	0.906	***	0.422	0.422	0.828	0.847
	B23	<---	Empathy	0.907	***	0.907	***	0.439	0.439	0.821	0.847
	B31	<---	Security	1.000		1.000		0.000	0.000	0.904	0.866
	B32	<---	Security	1.015	***	1.015	***	-0.106	-0.106	0.887	0.824

Hypothesis 3a: There is a positive relationship between service quality and customer satisfaction for both local and foreign banks ($b_{3L}>0$) and ($b_{3F}>0$).

The regression coefficients between service quality and customer satisfaction was highly significant for both local banks and foreign banks. The estimated regression coefficient for local bank customers was $b_{3L} = 0.730$ ($p = 0.007$) and for foreign banks $b_{3F} = 0.758$ ($p<0.001$), which are both highly significant. These results lead to the conclusion that there are very significant strong positive relationships between service quality and customer satisfaction, for both local and foreign banks.

Hypothesis 4a: There is a positive relationship between service quality and corporate reputation for both local and foreign banks ($b_{4L}>0$) and ($b_{4F}>0$).

The estimated coefficient values were $b_{4L} = 1.181$ ($p < 0.001$) for local banks and $b_{4F} = 1.081$ ($p < 0.001$) for foreign banks, indicating highly significant positive relationships between service quality and corporate reputation for both banks. This result leads to the non-rejection for H4a.

Hypothesis 5a: There is a positive relationship between customer satisfaction and corporate reputation for both local and foreign banks ($b_{5L}>0$) and ($b_{5F}>0$).

Finally, the estimated regression coefficients in the structural model suggests that there are significant positive relationships between customer satisfaction and corporate reputation for both foreign and local banks, with coefficient values of $b_{5L} = 0.264$ ($p = 0.017$) and $b_{5F} = 0.324$ ($p = 0.002$) respectively. This implies that customer satisfaction has a significant influence on how these customers perceive their banks' reputation across the two groups of customers, and therefore, empirical support for H5a was evident.

In the SEM model, the results of the model implied means and model implied variances of service innovation and service quality of the SEM model in Figure 6.1 is useful for a comparative analysis between local and foreign banks operating in Tanzania. In Table 6.5, the means for foreign banks were consistently higher on both latent variables when compared to local banks, suggesting that on average foreign banks are perceived to be better with service innovation and service quality compared to local banks.

Table 6.5: Estimated latent variable means and variances of the conceptual model

Latent Variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
ServInno	4.084	4.399	0.317	0.004	0.622	1.001
ServQual	4.776	4.996	0.222	0.032	0.760	0.946

1: The difference was obtained in a model where scalar invariance was imposed by setting the measurement weights and intercepts in the model, as well as the structural weights and intercepts equal across groups. The means of the latent variables in this model for the local banks were constrained equal to zero, whilst the latent means of the foreign banks were left to be freely estimated. The resulting significances were obtained from the mean estimates of this model for the foreign banks.

The mean score for service innovation for foreign banks (4.399) was higher than that of local banks, (4.084), and this difference was significant ($p = 0.004$). This means that overall physical access, service access and innovativeness were perceived to be better for foreign banks compared to local banks.

Finally, foreign banks had a higher mean score for service quality (4.996) than local banks (4.776) with a significant difference ($p = 0.032$), indicating higher levels of perceived service quality for the customers of the foreign banks. Implicit in this is that foreign banks' physical facilities, employees' empathy and overall security were perceived on average to be better than those of local banks.

6.4 TESTING FOR MODERATION OF TYPE OF BANK IN THE MULTIPLE-GROUP STRUCTURAL EQUATION MODERATION MODEL OF SERVICE PERFORMANCE, CUSTOMER SATISFACTION AND CORPORATE REPUTATION

In this section, the focus is mainly on the structural part of the model where the hypothesised paths H1 to H5 are indicated in Figure 6.1.

In order to test whether there are differences between the regression paths of local and foreign bank customers, as stated in H1b to H5b, it is required to test whether the type of bank moderates the relationships H1 to H5 in Figure 6.1. If moderation is found to be present, it will support the hypotheses stated in H1b to H5b. The method that was proposed by Strasheim (2014), which involves the testing of twelve nested models that include Means, Intercepts and Slopes (MIS models) will be used in this section. In the application of the MIS models, the moderating variable (type of bank) is a grouping variable (local banks versus foreign banks).

For all the MIS models, measurement invariance was imposed on the model, in order to allow for a simultaneous rigorous assessment of the proposed hypotheses H1b to H5b. In the testing for moderation, the model MIS1 the same as model MM4 with the estimates reported in section 6.3.2. In model MIS1, the mean, intercepts and slopes

in the structural part of the model are estimated freely, whereas the measurement weights, the measurement intercepts, the second-order weights and the second-order intercepts of the latent variables service innovation and service quality to their first-order constructs are constrained equal.

Each of the paths H1 to H5 in Figure 6.1 can be viewed as having in broad terms an X-variable involved (the latent variable from which the path emanates), a Y-variable (the latent variable at the arrow end of the path). The twelve MIS models proceed by testing for a main effect on the X-variable, a main effect on the Y-variable, and whether the regression paths H1 to H5 are equal across the groups. The procedure is stepwise, and tests for all paths simultaneously (Strasheim, 2014). The constraints on the model parameters are added and removed in a particular pattern, for the sake of simplifying the process to obtain the most appropriate model.

For the sake of convenience, a short description of what each of the twelve MIS models involve, are provided in the Table 6.6.

Table 6.6: Summary of twelve means, intercepts and slopes models and their interpretation in multiple group structural equation models

			MODEL	Interpretation
Main effect between *X* and *Y* and moderation	Main effect on *Y*	Main effect on X	MIS1	Means free, intercepts free and slopes free Group has a main effect on *X*, a main effect on *Y* and a moderation effect on the relationship between *X* and *Y*.
		No main effect on X	MIS2	Means equal, intercepts free and slopes free Group has no main effect on *X*, main effect on *Y* and a moderation effect on the relationship between *X* and *Y*.
	No main effect on Y	Main effect on X	MIS3	Means free, intercepts equal and slopes free Group has a main effect on *X*, no effect on *Y* and a moderation effect on the relationship between *X* and *Y*.
		No main effect on X	MIS4	Means equal, intercepts equal and slopes free Group has no effect on *X*, no effect on *Y* and a moderation effect on the relationship between *X* and *Y*.
Main effect between *X* and *Y* but NOT moderation	Main effect on *Y*	Main effect on X	MIS5	Means free, intercepts free and slopes equal Group has a main effect on *X*, main effect on *Y* and no moderation effect on the relationship between *X* and *Y*.
		No main effect on X	MIS6	Means equal, intercepts free and slopes equal Group has no effect on *X*, main effect on *Y* and no moderation effect on the relationship between *X* and *Y*.
	No main effect on Y	Main effect on X	MIS7	Means free, intercepts equal and slopes equal Group has a main effect on *X*, no effect on *Y* and no moderation effect on the relationship between *X* and *Y*.
		No main effect on X	MIS8	Means equal, intercepts equal and slopes equal Group has no main effect on *X*, no main effect on *Y* and no moderation effect on the relationship between *X* and *Y*.
No Main effect between *X* and *Y* and therefore also NO moderation	Main effect on *Y*	Main effect on X	MIS9	Means free, intercepts free and slopes zero Group has a main effect in *X*, a main effect in *Y* and there is no effect between *X* and *Y*.
		No main effect on X	MIS10	Means equal, intercepts free and slopes zero Group has no main effect on *X*, a main effect on *Y* and there is no effect between *X* and *Y*.
	No main effect on Y	Main effect on X	MIS11	Means free, intercepts equal and slopes zero Group has a main effect on *X*, no main effect on *Y* and there is no effect between *X* and *Y*
		No main effect on X	MIS12	Means equal, intercepts equal and slopes zero Group has no effect on *X*, no effect on *Y* and there is no effect between *X* and *Y*.

Source: Adapted from Strasheim (2014)

6.4.1 Fit Measures of the Moderation Models of Service Performance, Customer Satisfaction and Corporate Reputation

The results of the fit measures for the twelve MIS models are provided in Table 6.7.

Table 6.7: Results of fit measures for twelve means, intercepts and slopes models for the model of service performance, customer satisfaction and corporate reputation

Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
MIS1	134	1042.6	566	0.000	1.842	1310.6
MIS2	132	1051.1	568	0.000	1.851	1315.1
MIS3	132	1043.7	568	0.000	1.838	1307.7
MIS4	130	1052.2	570	0.000	1.846	1312.2
MIS5	129	1044.4	571	0.000	1.829	1302.4
MIS6	127	1053.0	573	0.000	1.838	1307.0
MIS7	127	1044.5	573	0.000	1.823	1298.5
MIS8	125	1053.1	575	0.000	1.832	1303.1
MIS9	124	1529.6	576	0.000	2.656	1777.6
MIS10	122	1538.1	578	0.000	2.661	1782.1
MIS11	122	1534.8	578	0.000	2.655	1778.8
MIS12	120	1543.3	580	0.000	2.661	1783.3
Saturated model	700	0.0	0			1400.0
Independence model	100	6916.0	600	0.000	11.527	7116.0

When the ratio of chi-square to the degrees of freedom is applied in examining model plausibility, there is large increase in the Chi-square value and the ratio of the Chi-square value to its degrees of freedom for models MIS9 to MIS12. The value of AIC is at its lowest for MIS7, although marginally when compared to models MIS5 and MIS8. It should be noted that the restrictions in the MIS models only involve a few parameters at the structural part of the model, and therefore large differences between the models in terms of fit measures are not expected.

Table 6.8 depicts the alternative fit measures for the twelve MIS models. Again there are hardly any differences in the fit measures, except for models MIS9 to MIS12, where the fit measures deteriorate considerably. Since the number of parameters that are restricted are very few for each model, small differences between the fit measures are expected.

Table 6.8: Other fit measures for twelve means, intercepts and slopes models

Baseline Comparisons				
MODEL	**IFI**	**TLI**	**CFI**	**SRMR**
MIS1	0.925	0.920	0.925	0.0698
MIS2	0.924	0.919	0.924	0.0698
MIS3	0.925	0.920	0.925	0.0698
MIS4	0.924	0.920	0.924	0.0698
MIS5	0.925	0.921	0.925	0.0699
MIS6	0.924	0.920	0.924	0.0699
MIS7	0.926	0.922	0.925	0.0699
MIS8	0.925	0.921	0.924	0.0699
MIS9	0.850	0.843	0.849	0.2417
MIS10	0.849	0.842	0.848	0.2418
MIS11	0.849	0.843	0.849	0.2417
MIS12	0.848	0.842	0.847	0.2418
RMSEA				
MODEL	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
MIS1	0.047	0.043	0.052	0.846
MIS2	0.047	0.043	0.052	0.825
MIS3	0.047	0.043	0.052	0.857
MIS4	0.047	0.043	0.052	0.837
MIS5	0.047	0.042	0.051	0.876
MIS6	0.047	0.043	0.052	0.858
MIS7	0.047	0.042	0.051	0.890
MIS8	0.047	0.042	0.051	0.872
MIS9	0.066	0.062	0.070	0.000
MIS10	0.066	0.062	0.070	0.000
MIS11	0.066	0.062	0.070	0.000
MIS12	0.066	0.062	0.070	0.000

Under the baseline comparisons model, the hypotheses from MIS1 to MIS8 had the values of the IFI, TLI and CFI above the recommended cut-off point of 0.90, but for models MIS9 to MIS12, there was a considerable drop to below 0.90. Similarly, the RMSEA values of MIS1 to MIS8 were all below the recommended cut off point of 0.05, and increased to over 0.05 for models MIS9 to MIS12. Similarly the SRMR was also below 0.08 for the models MIS1 to MIS8. This implies that broadly speaking, models MIS1 to MIS8 based on the fit criteria seem to be plausible, with models MIS9 to MIS12 resulting in a considerable deterioration of fit.

Table 6.9 presents the nested model comparisons for the twelve MIS models. From the nested model comparisons, the first model that did not fit significantly worse than model MIS1, was model MIS3. Therefore, model MIS3, which constrains the intercepts equal, but allows the means and the slopes of H1 - H5 to be freely estimated, seems a tenable model. The next step was to use model MIS3 as the reference model, and find the model that did not fit significantly worse than model MIS3, in this case it was model MIS7. In model MIS7, the means are freely estimated, the intercepts are constrained equal, and the slopes of H1 to H5 are constrained equal. If support is found for model MIS7, it means that the type of bank does not moderate the relationships H1 to H5. Using model MIS7 as the reference model, all the nested models under MIS7 fitted significantly worse. This result suggests that model MIS7 is the most appropriate model to represent the relationships H1 to H5. The choice of MIS7 also coincides with the lowest AIC in Table 6.7.

Table 6.9: Nested model comparisons for the twelve means, intercepts and slopes models

Model	ΔDF	ΔCMIN	P
Assuming model MIS1 to be correct:			
MIS2	2	8.521	0.014
MIS3	2	1.147	0.564
MIS4	4	9.600	0.048
MIS5	5	1.862	0.868
MIS6	7	10.402	0.167
MIS7	7	1.932	0.964
MIS8	9	10.553	0.308
MIS9	10	487.037	0.000
MIS10	12	495.548	0.000
MIS11	12	492.258	0.000
MIS12	14	500.769	0.000
Assuming model MIS2 to be correct:			
MIS4	2	1.079	0.583
MIS6	5	1.882	0.865
MIS8	7	2.032	0.958
MIS10	10	487.028	0.000
MIS12	12	492.249	0.000
Assuming model MIS3 to be correct:			
MIS4	2	8.453	0.015
MIS7	5	0.785	0.978
MIS8	7	9.406	0.225
MIS11	10	491.111	0.000
MIS12	12	499.622	0.000
Assuming model MIS4 to be correct:			
MIS8	5	0.953	0.966
MIS12	10	491.169	0.000

Assuming model MIS5 to be correct:			
MIS6	2	8.541	0.014
MIS7	2	0.070	0.966
MIS8	4	8.691	0.069
MIS9	5	485.175	0.000
MIS10	7	493.686	0.000
MIS11	7	490.396	0.000
MIS12	9	498.907	0.000
Assuming model MIS6 to be correct:			
MIS8	2	0.150	0.928
MIS10	5	485.146	0.000
MIS12	7	490.367	0.000
Assuming model MIS7 to be correct:			
MIS8	2	8.621	0.013
MIS11	5	490.326	0.000
MIS12	7	498.838	0.000
Assuming model MIS8 to be correct:			
MIS12	5	490.216	0.000
Assuming model MIS9 to be correct:			
MIS10	2	8.511	0.014
MIS11	2	5.221	0.074
MIS12	4	13.732	0.008
Assuming model MIS10 to be correct:			
MIS12	2	5.221	0.074
Assuming model MIS11 to be correct:			
MIS12	2	8.500	0.014

The remaining hypotheses that were required to be tested were:

Hypothesis 1b: Foreign and local banks differ in the strength of the relationship between service innovation and customer satisfaction ($b_{1L} \neq b_{1F}$).

Hypothesis 2b: Foreign and local banks differ in the strength of the relationship between service innovation and corporate reputation ($b_{2L} \neq b_{2F}$).

Hypothesis 3b: Foreign and local banks differ in the strength of the relationship between service quality and customer satisfaction for ($b_{3L} \neq b_{3F}$).

Hypothesis 4b: Foreign and local banks differ in the strength of the relationship between service quality and corporate reputation for ($b_{4L} \neq b_{4F}$)

Hypothesis 5b: Foreign and local banks differ in the strength of the relationship between customer satisfaction and corporate reputation ($b_{5L} \neq b_{5F}$).

In order to complete the testing for each of the path coefficients, relating to each of the hypotheses above, model MIS7 was used as the model in which all the path coefficients H1 to H5 were constrained equal for local and foreign banks. Five additional models were created, in which the path for H1 was freely estimated, in order to test for Hypothesis 1b. The Chi-square difference test (Bagozzi & Yi, 1989) was calculated between model MIS7 (the more restricted model) against model H1b. The process was repeated for each of the remaining hypotheses. The nested model comparison results are provided in Table 6.10. For all the hypotheses, there was not a significant decrease in model fit when the specific parameter was constrained equal. These results provide support for the rejection of hypotheses H1b to H5b, and there are therefore no differences in the strengths of the relationships between local and foreign banks.

Table 6.10: Nested model comparisons for each of the paths for hypotheses H1 to H5

Hypothesis	Model	Df	CMIN	P
MIS7 with b1 free	MIS7[1]	1	0.183	0.669
MIS7 with b2 free	MIS7	1	0.009	0.925
MIS7 with b3 free	MIS7	1	0.183	0.669
MIS7 with b4 free	MIS7	1	0.007	0.934
MIS7 with b5 free	MIS7	1	0.000	0.990

1: In model MIS7, the coefficients H1, H2, H3, H4 and H5 are all constrained equal

6.4.2 Maximum Likelihood Estimates of the Moderation Models of Service Performance, Customer Satisfaction and Corporate Reputation

The maximum likelihood estimated parameters of the model MIS7 are provided in Table 6.11. From this table, it follows that the results provided no empirical support that there is a significant relationship between service innovation and customer satisfaction for both local and foreign banks ($b_1 = 0.052$; $p = 0.713$ for both foreign and local banks), which rejects H1b. Also, the relationship between service innovation and corporate reputation was negative, and significant, and there was no difference between the strengths of the relationships between local and foreign banks ($b_2 = -0.373$; $p = 0.013$ for both local and foreign banks), thereby rejecting H2b.

The strength of the relationship between service quality and customer satisfaction was very significant ($b_3 = 0.730$; $p < 0.001$) and this relationship was not significantly different for local and foreign banks. This leads to the rejection of H3b. There was a highly significant and a strong relationship between service quality and corporate reputation, and there was no significant difference between local foreign banks on the strength of the relationship ($b_4 = 1.142$; $p < 0.001$ for both local and foreign banks), rejecting H4b. Finally, the relationship between customer satisfaction and corporate reputation was also highly significant, although small in magnitude, (b_5 0.298; $p < 0.001$ for both local and foreign banks) and leading to the rejection of H5b.

Table 6.11: Maximum likelihood parameter estimates for model the model with equal intercepts and slopes MIS7

Maximum Likelihood model estimates				Regression weights				Intercepts		Standardised regression weights	
				Local		Foreign		Local	Foreign	Local	Foreign
				Estimate	P	Estimate	P	Estimate	Estimate	Estimate	Estimate
H1b	CustSatisfaction	<---	ServInno	0.052	0.713	0.052	0.713	1.500	1.500	0.040	0.049
H3b	CustSatisfaction	<---	ServQual	0.720	***	0.720	***			0.629	0.663
H2b	CorpRep	<---	ServInno	-0.373	0.013	-0.373	0.013			-0.245	-0.313
H5b	CorpRep	<---	CustSatisfaction	0.298	***	0.298	***	-0.644	-0.644	0.252	0.262
H4b	CorpRep	<---	ServQual	1.142	***	1.142	***			0.842	0.923
	Facilities_Cash	<---	ServInno	0.946	***	0.946	***	0.430	0.430	0.528	0.695
	PhysAcc	<---	ServInno	1.000		1.000		0.000	0.000	0.590	0.729
	ServAcc	<---	ServInno	0.987	***	0.987	***	0.212	0.212	0.567	0.808
	Innovativeness	<---	ServInno	1.056	***	1.056	***	0.228	0.228	0.789	0.833
	Tangibles	<---	ServQual	1.000		1.000		0.000	0.000	0.800	0.837
	Empathy	<---	ServQual	1.235	***	1.235	***	-1.139	-1.139	0.836	0.899
	Security	<---	ServQual	1.069	***	1.069	***	-0.011	-0.011	0.769	0.860
	EE2	<---	CorpRep	1.000		1.000		0.000	0.000	0.899	0.876
	EE3	<---	CorpRep	0.960	***	0.960	***	0.376	0.376	0.839	0.848
	EE6	<---	CorpRep	0.962	***	0.962	***	0.182	0.182	0.816	0.831
	EE9	<---	CorpRep	0.920	***	0.920	***	0.397	0.397	0.765	0.783
	F1	<---	CustSatisfaction	1.000		1.000		0.000	0.000	0.809	0.836
	F2	<---	CustSatisfaction	1.048	***	1.048	***	-0.320	-0.320	0.876	0.899
	F3	<---	CustSatisfaction	1.104	***	1.104	***	-0.461	-0.461	0.766	0.780
	B6	<---	Facilities_Cash	1.000		1.000		0.000	0.000	0.812	0.798
	B7	<---	Facilities_Cash	1.004	***	1.004	***	0.030	0.030	0.852	0.840
	B10	<---	PhysAcc	1.000		1.000		0.000	0.000	0.864	0.839
	B11	<---	PhysAcc	1.004	***	1.004	***	-0.148	-0.148	0.798	0.808
	B27	<---	ServAcc	1.000		1.000		0.000	0.000	0.913	0.844
	B28	<---	ServAcc	0.975	***	0.975	***	-0.078	-0.078	0.775	0.679
	B33	<---	Innovativeness	1.000		1.000		0.000	0.000	0.741	0.859
	B34	<---	Innovativeness	0.995	***	0.995	***	-0.027	-0.027	0.786	0.878
	B35	<---	Innovativeness	0.926	***	0.926	***	0.336	0.336	0.691	0.822
	B1	<---	Tangibles	1.000		1.000		0.000	0.000	0.746	0.793
	B2	<---	Tangibles	1.070	***	1.070	***	-0.173	-0.173	0.862	0.832
	B3	<---	Tangibles	1.003	***	1.003	***	0.387	0.387	0.812	0.820
	B20	<---	Empathy	1.000		1.000		0.000	0.000	0.858	0.867
	B21	<---	Empathy	0.964	***	0.964	***	0.195	0.195	0.830	0.880
	B22	<---	Empathy	0.906	***	0.906	***	0.422	0.422	0.829	0.846
	B23	<---	Empathy	0.907	***	0.907	***	0.439	0.439	0.821	0.846
	B31	<---	Security	1.000		1.000		0.000	0.000	0.905	0.866
	B32	<---	Security	1.013	***	1.013	***	-0.095	-0.095	0.887	0.823

Table 6.12 provides the model implied latent variable means and variances of model MIS7, which is a model where the means are freely estimated, but the intercepts are constrained equal and the slopes are constrained equal.

Table 6.12: Estimated latent variable means and variances of model MIS7 with equal intercepts and equal slopes

Latent Variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
ServInno	4.084	4.399	0.315	0.004	0.607	1.009
ServQual	4.774	4.998	0.224	0.028	0.765	0.939

1: The difference was obtained in the MIS7 model. The means of the latent variables in this model for the local banks were constrained equal to zero, whilst the latent means of the foreign banks were left to be freely estimated. The resulting significances were obtained from the mean estimates of this model for the foreign banks.

From the model implied means in Table 6.12 it follows that service innovation was significantly higher for foreign banks with a mean values of 4.399 and a mean of 4.084 for local banks. Similarly, the mean of service quality for foreign banks (4.998) was significantly higher than the mean value of local banks (4.774).

The estimated error variances and squared multiple correlations are shown in Table 6.13. From the squared multiple correlations, it is clear that in this model, the percentage of variance explained for corporate reputation was 78.1% for foreign banks, which was higher than the 70.4% of local banks. The percentage of variance explained for customer satisfaction was 49.6% for foreign banks and 43.9% for local banks. It seems therefore that the model MIS7 performed slightly better in explaining the variability of corporate reputation and of customer satisfaction for foreign bank customers than for local banks customers.

Table 6.13: Error variances and squared multiple correlations of the measurement invariant model of service performance, customer satisfaction and corporate reputation

Estimated error variances			Squared multiple correlations (SMCs)		
Error term	**Local**	**Foreign**	**Variable**	**Local**	**Foreign**
ey2	0.417	0.315	CorpRep	0.704	0.781
ey1	0.563	0.559	CustSatisfaction	0.439	0.496
ex1	1.402	0.968	Facilities_Cash	0.279	0.483
ex2	1.139	0.891	PhysAcc	0.348	0.531
ex3	1.245	0.524	ServAcc	0.322	0.652
ex4	0.411	0.494	Innovativeness	0.622	0.695
ex5	0.431	0.401	Tangibles	0.640	0.701
ex6	0.501	0.340	Empathy	0.700	0.808
ex7	0.603	0.379	Security	0.592	0.739
me2	0.335	0.435	EE2	0.808	0.768
me3	0.546	0.517	EE3	0.704	0.719
me6	0.656	0.596	EE6	0.665	0.691
me9	0.842	0.768	EE9	0.586	0.613
ef1	0.531	0.476	F1	0.654	0.700
ef2	0.335	0.288	F2	0.767	0.808
ef3	0.863	0.869	F3	0.586	0.609
e6	1.007	1.064	B6	0.659	0.638
e7	0.741	0.787	B7	0.726	0.706
e10	0.593	0.800	B10	0.747	0.704
e11	1.006	1.016	B11	0.636	0.653
e27	0.365	0.609	B27	0.834	0.712
e28	1.157	1.670	B28	0.601	0.461
e33	0.891	0.575	B33	0.549	0.738
e34	0.667	0.478	B34	0.617	0.770
e35	1.018	0.666	B35	0.478	0.676
e1	0.953	0.792	B1	0.557	0.629
e2	0.474	0.681	B2	0.743	0.693
e3	0.624	0.659	B3	0.659	0.672
e20	0.595	0.587	B20	0.737	0.751
e21	0.702	0.478	B21	0.688	0.775
e22	0.624	0.576	B22	0.687	0.716
e23	0.663	0.578	B23	0.674	0.716
e31	0.325	0.483	B31	0.820	0.750
e32	0.412	0.712	B32	0.786	0.677

6.5 HYPOTHESES OF THE RELATIONSHIPS BETWEEN CULTURAL ORIENTATIONS AND SERVICE PERFORMANCE

In this section of the substantive analysis, structural equation modeling was applied to examine the structural relationships between personal cultural orientations and the second-order level constructs of the service performance model, namely service innovation and service quality. This section reports the results of seven key hypotheses, denoted by H6 to H12 as shown in Figure 6.2.

Before it is valid to proceed with this analysis, it is appropriate to state the research hypotheses tested in this model. The influence of culture on the perceptions of customers on service attributes has been investigated by Boonghee and Naveen (2005), and they confirmed significant relationships between customers' cultural orientations and various outcomes of customers' behaviours and attitudes. Customers' cultural orientations may play a significant role in influencing their perceptions of their bank's ability to deliver innovative services and perceptions of service quality.

Figure 6.2 presents the key constructs with the different effects of interest in this study where customers' cultural orientations are related to their perceptions of service innovation and service quality. The six arrows from the three cultural dimensions, tradition, prudence, and consumer innovativeness to service innovation and service quality relate to each of six hypotheses (see H6 to H11). It is also expected that perceptions of service innovation will have an effect on the perceptions of service quality (denoted by H12).

6.5.1 Consumer Innovativeness and Service Performance

H6: The relationship between consumers' innovativeness and service innovation

It is hypothesised that customers with higher levels of consumer innovativeness will hold higher perceptions of their banks' service innovation, and this is expected to hold for both local and foreign bank customers.

Hypothesis 6a: There is a positive relationship between consumer innovativeness and perceptions of the service innovativeness of banks, for both local and foreign banks' customers ($b_{6\,L}>0$) and ($b_{6\,F}>0$).

Differences are expected in the levels of consumer innovativeness of the two groups of customers, and in the relationships between their innovativeness with perceived service innovativeness of the banks. These differences are expected due to the foreign banks' customers being more willing to try out new products, and they may therefore be more inclined to become customers of these banks. Therefore the second part of this hypothesis is:

Hypothesis 6b: Foreign and local banks differ in the strength of the relationship between consumer innovativeness and perceived service innovativeness of the banks ($b_{6\,L} \neq b_{6\,F}$).

H7: The relationship between consumers' innovativeness and service quality perceptions

Customers with an innovative cultural orientation, tend to be more receptive towards innovative products and more inclined to try out new products, are hypothesized to hold more favourable perceptions of the bank's service quality.

Hypothesis 7a: Customers with higher levels of consumer innovativeness hold higher perceptions of their banks' service quality for both local and foreign bank customers ($b_{7\,L}>0$) and ($b_{7\,F}>0$).

As in hypothesis 6, due to the foreign banks' customers being more willing to try out new products, differences are expected in the relationships between local and foreign bank customers on the strength of the relationship between consumer innovativeness and perceived service quality.

Hypothesis 7b: The strength of the relationship between consumer innovativeness and perceptions of the service quality of banks is different for local and foreign banks customers ($b_{7\,L} \neq b_{7\,F}$).

6.5.2 Prudence, Traditional Values and Service Performance

According to Kueh and Voon (2007) customers' prudence and the traditional values that customers hold, customers fall under long-term orientation or the Confucian dynamism cultural orientations dimension, which tends to influence perceptions of service performance. For example, customers who tend to plan for the future search for justifiable reasons to return to the same service provider. This suggests that customers with a long term orientation in terms of prudence and traditional values may hold more positive perceptions of service performance. Based on this, hypotheses H8 to H11 are stated.

H8: The relationship between consumers' prudence and service innovation

Hypothesis 8a: Customers with higher levels of prudence hold higher perceptions of their banks' service innovativeness, for local as well as foreign bank customers ($b_{8L}>0$) and ($b_{8F}>0$).

Hypothesis 8b: The strength of the relationship between customers' prudence and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{8\,L} \neq b_{8\,F}$).

H9: The relationship between consumers' prudence and service quality perceptions

Hypothesis 9a: Customers with higher levels of prudence hold higher perceptions of their banks' service quality for local as well as foreign bank customers ($b_{9\,L}>0$) and ($b_{9\,F}>0$).

Hypothesis 9b: The strength of the relationship between customers' prudence and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{9\,L} \neq b_{9\,F}$).

H10: The relationship between consumers' traditional values and service innovation

Hypothesis 10a: Customers with higher levels of traditional values hold higher perceptions of their banks' service innovativeness for local banks ($b_{10\,L}>0$) and for foreign banks ($b_{10\,F}>0$).

Hypothesis 10b: The strength of the relationship between customers' traditional values and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{10\,L} \neq b_{10\,F}$).

H11: The relationship between consumers' traditional values and service quality perceptions

Hypothesis 11a: Customers with higher levels of traditional values hold higher perceptions of their banks' service quality for local banks ($b_{11\,L}>0$) as well as for foreign banks ($b_{11\,F}>0$).

Hypothesis 11b: The strength of the relationship between customers' traditional values and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{11\,L} \neq b_{11\,F}$).

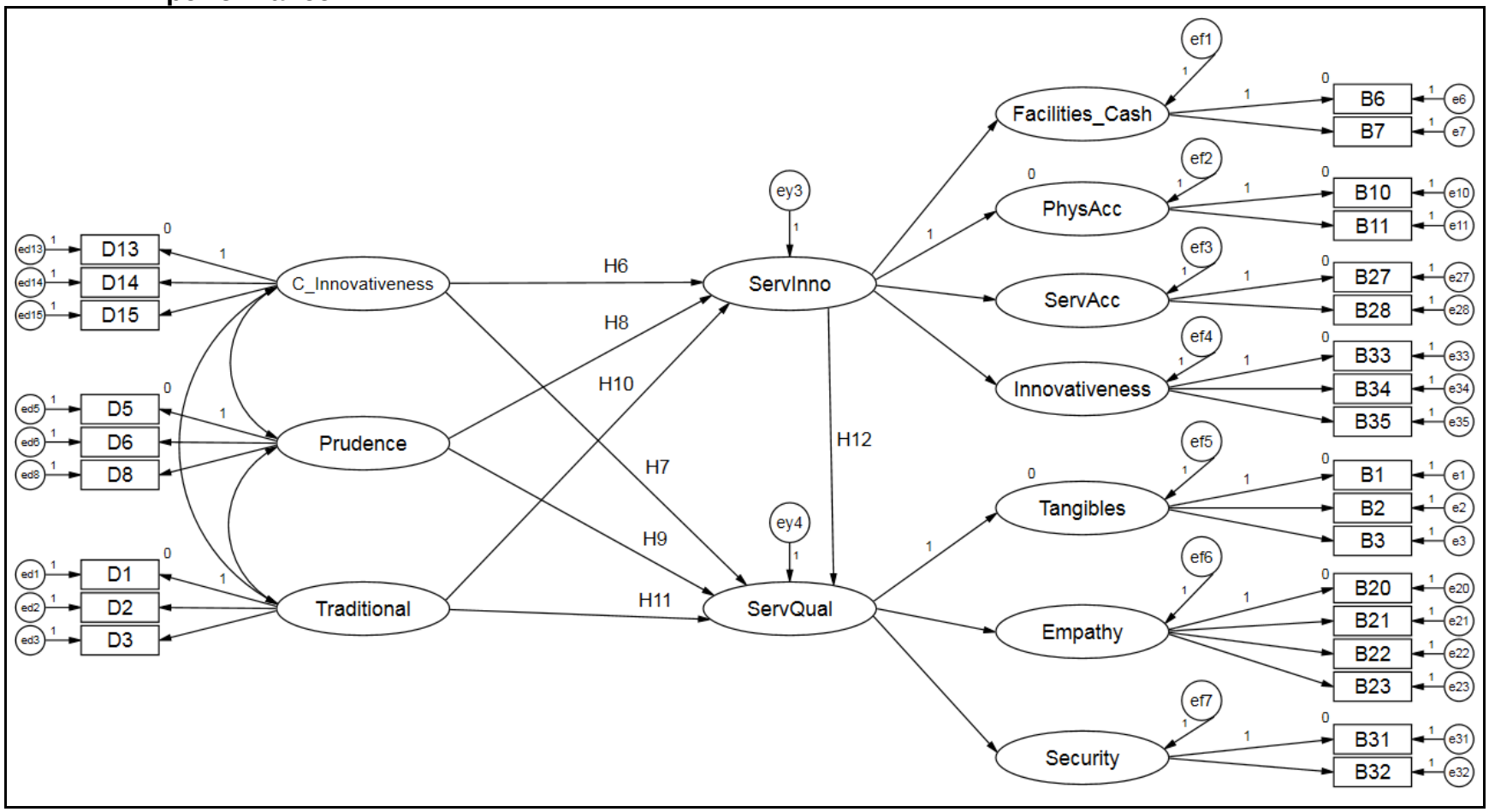
6.5.3 Service Innovation and Service Quality

The last hypothesis of interest in this study is involves the relationship between service innovation and service quality. It is argued that if bank is able to be successful with introducing innovation, by will have a positive effect on the perceptions that people hold of the service quality of the banks. The following hypotheses are relevant:

Hypothesis 12a: There is a positive relationship between service innovation and service quality for both local ($b_{12\,L}>0$) and foreign banks ($b_{12\,F}>0$).

Hypothesis 12b: The strength of the relationship between service innovation and service quality is different between the foreign banks and the local banks ($b_{12\,L} \neq b_{12\,F}$).

Figure 6.2: Structural equation model of the relationships between cultural orientations and service performance



6.6 THE MULTIPLE GROUP STRUCTURAL EQUATION MODEL OF THE RELATIONSHIPS BETWEEN CULTURAL ORIENTATIONS AND SERVICE PERFORMANCE

In order to test hypotheses H6 to H12 for local and foreign banks simultaneously and rigorously, it is required to establish if measurement invariance holds for the model depicted in Figure 6.2. Since the model for service performance has two second-order latent variables, it is necessary to test for measurement invariance of a second-order model. The procedure described in Strasheim (2011) was followed, and the measures of fit for the different nested models are given in Section 6.6.1.

6.6.1 Fit Measures of the Multiple-Group Structural Equation Model of Cultural Orientations and Service Performance

The Chi-square fit measures testing the measurement invariance of the model depicting the structural relationships between customers' cultural orientations and service performance are presented in Table 6.14. The ratio of Chi-square to the degrees of freedom were below the recommended cut-off point of 3 for all the models. The ratio was the smallest, but identical for models MM4 and MM5. Similarly, the AIC was the smallest for these two models, although slightly smaller for model MM5, where the means of the latent variables of cultural orientations were constrained equal.

Table 6.14: Fit measures of the multiple-group structural equation model of cultural orientations and service performance

Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
MM0: Unconstrained	187	1220.9	623	0.000	1.960	1594.9
MM1: Measurement weights	170	1232.8	640	0.000	1.926	1572.8
MM2: Measurement intercepts	153	1251.3	657	0.000	1.905	1557.3
MM3: Second-order weights	148	1256.7	662	0.000	1.898	1552.7
MM4: Second-order intercepts	143	1261.3	667	0.000	1.891	1547.3
MM5: Second-order means	140	1266.6	670	0.000	1.891	1546.6
MM6: Second-order covariances	134	1306.7	676	0.000	1.933	1574.7
MM7: Second-order residuals	125	1328.8	685	0.000	1.940	1578.8
MM8: Measurement residuals	107	1365.3	703	0.000	1.942	1579.3

Table 6.15 shows the alternative fit measures of the first order structural model between cultural orientations and service performance. The values of the Tucker Lewis Index for all nine models in the Baseline Comparisons in Table 6.15 were marginally below the recommended cut-off point of 0.9. The values for models MM0 to MM5 in the Incremental Fit Index and the Comparative Fit Index were all above the recommended cut-off point of 0.90, indicating that these structural models were tenable according to these criteria.

The values of the RMSEA in Table 6.15 were between 0.049 and 0.050, which indicated an acceptable fit of the invariance models to the data. The SRMR was also below 0.08 for all the models MM0 to MM5.

Table 6.15: Other fit measures of multiple group model of the structural equation model of cultural orientations and service performance

Baseline Comparisons				
MODEL	**IFI**	**TLI**	**CFI**	**SRMR**
MM0: Unconstrained	0.905	0.891	0.904	0.0794
MM1: Measurement weights	0.905	0.895	0.904	0.0794
MM2: Measurement intercepts	0.905	0.898	0.904	0.0793
MM3: Second-order weights	0.905	0.898	0.904	0.0787
MM4: Second-order intercepts	0.905	0.899	0.904	0.0788
MM5: Second-order means	0.904	0.899	0.904	0.0788
MM6: Second-order covariances	0.899	0.894	0.898	0.0812
MM7: Second-order residuals	0.896	0.894	0.896	0.0829
MM8: Measurement residuals	0.893	0.893	0.893	0.0830
RMSEA				
MODEL	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
MM0: Unconstrained	0.050	0.046	0.055	0.434
MM1: Measurement weights	0.050	0.045	0.054	0.573
MM2: Measurement intercepts	0.049	0.045	0.053	0.662
MM3: Second-order weights	0.049	0.045	0.053	0.687
MM4: Second-order intercepts	0.049	0.044	0.053	0.716
MM5: Second-order means	0.049	0.044	0.053	0.718
MM6: Second-order covariances	0.050	0.046	0.054	0.546
MM7: Second-order residuals	0.050	0.046	0.054	0.517
MM8: Measurement residuals	0.050	0.046	0.054	0.507
Independence model	0.153	0.150	0.156	0.000

Table 6.16 presents the nested model comparisons of the invariance testing models.

When the measurement weights model is compared to the unconstrained model in Table 6.16, the difference in Chi-square (MM1-MM0) was calculated as

1232.8 – 1220.9 = 11.9, and the corresponding difference in the degrees of freedom calculated as 640 – 623 = 17. The difference in fit is not significant (p = 0.804), implying that the measurement weights model can be assumed to fit as well as the unconstrained model.

When the measurement intercepts model is compared to the measurement weights model (MM2-MM1), the difference in Chi-square is 1251.3 – 1232.8 = 18.5. The corresponding difference in the degrees of freedom is 657 – 640 = 17. The difference in fit is insignificant (p = 0.357) implying that the measurement intercepts model can be assumed to fit as well as the measurement weights model.

The subsequent models where the second-order weights and intercepts were constrained equal (MM3 and MM4) had values of the difference in fit that were insignificant (MM2-MM3 with p = 0.374 and MM4-MM3 with p = 0.467) implying that it is plausible to assume that measurement invariance holds across the two groups of banks, and that one can proceed with comparing means based on this model.

When the model where the latent means are constrained equal is compared to the model MM4, the difference in fit (MM5-MM4) is also not significant (p = 0.148). Either model MM4 or MM5 were suitable as the best fitting model to report further.

For the remaining models MM6 to MM7, namely the structural covariances model, the structural residuals model and the measurement residuals model had differences in fit that were significant (p = 0.009; p < 0.001; p = 0.006) implying that these parameters could not be constrained equal across local and foreign banks, without a significant decrease in model fit. Fortunately, these restrictions are not a prerequisite for comparing means over groups.

Table 6.16: Nested model comparisons of the multiple-group model of cultural orientations and service performance

Model	ΔDF	ΔCMIN	P
Assuming model Unconstrained (MM0) to be correct:			
MM1-MM0: Measurement weights	17	11.930	0.804
MM2-MM0: Measurement intercepts	34	30.446	0.643
MM3-MM0: Second-order weights	39	35.803	0.617
MM4-MM0: Second-order intercepts	44	40.401	0.627
MM5-MM0: Second-order means	47	45.751	0.524
MM6-MM0: Second-order covariances	53	85.832	0.003
MM7-MM0: Second-order residuals	62	107.889	0.000
MM8-MM0: Measurement residuals	80	144.423	0.000
Assuming model Measurement weights (MM1) to be correct:			
MM2-MM1: Measurement intercepts	17	18.516	0.357
MM3-MM1: Second-order weights	22	23.873	0.354
MM4-MM1: Second-order intercepts	27	28.471	0.387
MM5-MM1: Second-order means	30	33.821	0.288
MM6-MM1: Second-order covariances	36	73.902	0.000
MM7-MM1: Second-order residuals	45	95.959	0.000
MM8-MM1: Measurement residuals	63	132.493	0.000
Assuming model Measurement intercepts (MM2) to be correct:			
MM3-MM2: Second-order weights	5	5.356	0.374
MM4-MM2: Second-order intercepts	10	9.955	0.444
MM5-MM2: Second-order means	13	15.305	0.289
MM6-MM2: Second-order covariances	19	55.386	0.000
MM7-MM2: Second-order residuals	28	77.443	0.000
MM8-MM2: Measurement residuals	46	113.977	0.000
Assuming model Second-order weights (MM3) to be correct:			
MM4-MM3: Second-order intercepts	5	4.599	0.467
MM5-MM3: Second-order means	8	9.949	0.269
MM6-MM3: Second-order covariances	14	50.030	0.000
MM7-MM3: Second-order residuals	23	72.087	0.000
MM8-MM3: Measurement residuals	41	108.620	0.000
Assuming model Second-order intercepts (MM4) to be correct:			
MM5-MM4: Second-order means	3	5.350	0.148
MM6-MM4: Second-order covariances	9	45.431	0.000
MM7-MM4: Second-order residuals	18	67.488	0.000
MM8-MM4: Measurement residuals	36	104.022	0.000
Assuming model Second-order means (MM5) to be correct:			
MM6-MM5: Second-order covariances	6	40.081	0.000
MM7-MM5: Second-order residuals	15	62.138	0.000
MM8-MM5: Measurement residuals	33	98.672	0.000
Assuming model Second-order covariances (MM6) to be correct:			
MM7-MM6: Second-order residuals	9	22.057	0.009
MM8-MM6: Measurement residuals	27	58.591	0.000
Assuming model Second-order residuals (MM7) to be correct:			
MM8-MM7: Measurement residuals	18	36.534	0.006

6.6.2 Maximum Likelihood Estimates of the Measurement Invariant Model of Cultural Orientation and Service Performance

For both models MM4 and MM5, all the measurement weights and intercepts were constrained equal and all second-order weights and intercepts were also constrained equal. However, the paths indicated by H6 to H12, and the intercepts at service innovation and service quality were allowed to be freely estimated in both MM4 and MM5. In addition, the structural variances and covariances between the three latent variables of cultural orientation; the error variances of the first-order latent variables (ef1 to ef7) as well as the measurement error variances were freely estimated in models MM4 and MM5. The only difference between models MM4 and MM5, lie in the three mean values for the three latent variables of the cultural orientation, which were freely estimated in model MM4, and constrained equal in model MM5.

Table 6.17 presents the estimated latent variable means and variances of the cultural orientations constructs across the two groups of banks, where model MM4 is used to estimate these parameters. In another model, the means of the latent variables of cultural orientations for local banks were constrained equal to zero, whilst the mean parameters of foreign banks were allowed to be freely estimated. This allowed the assessment of significant difference between the means for each of the latent variables individually. There were significant differences in the mean values of consumer innovativeness, with foreign bank customers having significantly higher mean values ($p = 0.033$) of consumer innovativeness. Interestingly, the traditional values of customers were also slightly higher ($p = 0.099$) for foreign bank customers than for local bank customers. Therefore, it seems on this criterion that it is more appropriate to use model MM4 to investigate the significances of the relationships H6 to H12.

Table 6.17: Estimated latent variable means and variances of the cultural orientations

Latent Variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
C_Innovativeness	5.216	5.492	0.276	0.033	0.961	1.534
Prudence	5.948	6.109	0.161	0.143	0.882	1.045
Traditional	5.798	6.036	0.238	0.099	1.877	1.557

Table 6.18 displays the estimated covariances and correlations between the latent variables of cultural orientations. It should be noted that the correlations between traditional values and prudence were highly correlated for the customers of foreign banks.

Table 6.18: Estimated covariances and correlations of the cultural orientations

			Covariances		Correlations	
			Local	Foreign	Local	Foreign
C_Innovativeness	<-->	Prudence	0.498	0.601	0.541	0.475
C_Innovativeness	<-->	Traditional	0.628	0.692	0.468	0.448
Prudence	<-->	Traditional	0.908	1.213	0.705	0.951

The maximum likelihood parameter estimates of model MM4 are provided in Table 6.19.

Table 6.19: Estimates of the measurement invariant model MM4 relating cultural orientations and service performance

				Regression weights				Intercepts		Standardised regression weights	
				Local		Foreign		Local	Foreign	Local	Foreign
				Estimate	P	Estimate	P	Estimate	Estimate	Estimate	Estimate
H6a	ServInno	<---	C_Innovativeness	0.151	0.154	0.385	***	3.000	1.900	0.184	0.467
H8a	ServInno	<---	Prudence	0.136	0.327	0.256	0.621			0.159	0.256
H10a	ServInno	<---	Traditional	-0.089	0.303	-0.195	0.639			-0.152	-0.238
H7a	ServQual	<---	C_Innovativeness	0.010	0.903	-0.204	0.004	-0.588	0.018	0.011	-0.261
H9a	ServQual	<---	Prudence	0.213	0.049	0.558	0.142			0.233	0.590
H11a	ServQual	<---	Traditional	0.116	0.085	-0.144	0.635			0.184	-0.185
H12a	ServQual	<---	ServInno	0.827	***	0.808	***			0.771	0.852
	Facilities_Cash	<---	ServInno	0.903	***	0.903	***	0.612	0.612	0.526	0.682
	PhysAcc	<---	ServInno	1.000		1.000		0.000	0.000	0.616	0.742
	ServAcc	<---	ServInno	0.955	***	0.955	***	0.348	0.348	0.568	0.799
	Innovativeness	<---	ServInno	1.042	***	1.042	***	0.287	0.287	0.790	0.839
	Tangibles	<---	ServQual	1.000		1.000		0.000	0.000	0.793	0.824
	Empathy	<---	ServQual	1.210	***	1.210	***	-1.019	-1.019	0.814	0.864
	Security	<---	ServQual	1.146	***	1.146	***	-0.392	-0.392	0.785	0.917
	D13	<---	C_Innovativeness	1.000		1.000		0.000	0.000	0.784	0.847
	D14	<---	C_Innovativeness	0.876	***	0.876	***	0.769	0.769	0.689	0.769
	D15	<---	C_Innovativeness	0.757	***	0.757	***	1.048	1.048	0.568	0.657
	D5	<---	Prudence	1.000		1.000		0.000	0.000	0.847	0.866
	D6	<---	Prudence	0.995	***	0.995	***	0.092	0.092	0.793	0.816
	D8	<---	Prudence	0.945	***	0.945	***	0.205	0.205	0.698	0.727
	D1	<---	Traditional	1.000		1.000		0.000	0.000	0.887	0.869
	D2	<---	Traditional	0.886	***	0.886	***	0.612	0.612	0.874	0.854
	D3	<---	Traditional	0.669	***	0.669	***	1.773	1.773	0.677	0.642
	B6	<---	Facilities_Cash	1.000		1.000		0.000	0.000	0.802	0.789
	B7	<---	Facilities_Cash	1.028	***	1.028	***	0.000	0.000	0.862	0.850
	B10	<---	PhysAcc	1.000		1.000		0.000	0.000	0.856	0.834
	B11	<---	PhysAcc	1.019	***	1.019	***	-0.214	-0.214	0.802	0.816
	B27	<---	ServAcc	1.000		1.000		-0.078	-0.078	0.906	0.840
	B28	<---	ServAcc	0.987	***	0.987	***	-0.135	-0.135	0.782	0.683
	B33	<---	Innovativeness	1.000		1.000		0.000	0.000	0.749	0.860
	B34	<---	Innovativeness	0.989	***	0.989	***	-0.001	-0.001	0.787	0.874
	B35	<---	Innovativeness	0.921	***	0.921	***	0.359	0.359	0.695	0.818
	B1	<---	Tangibles	1.000		1.000		0.000	0.000	0.748	0.797
	B2	<---	Tangibles	1.060	***	1.060	***	-0.124	-0.124	0.849	0.835
	B3	<---	Tangibles	1.004	***	1.004	***	0.382	0.382	0.815	0.823
	B20	<---	Empathy	1.000		1.000		0.000	0.000	0.858	0.874
	B21	<---	Empathy	0.956	***	0.956	***	0.235	0.235	0.823	0.878
	B22	<---	Empathy	0.905	***	0.905	***	0.427	0.427	0.830	0.849
	B23	<---	Empathy	0.903	***	0.903	***	0.463	0.463	0.814	0.850
	B31	<---	Security	1.000		1.000		0.000	0.000	0.926	0.869
	B32	<---	Security	0.985	***	0.985	***	0.046	0.046	0.874	0.814

Based on the model estimates in Table 6.19, the results for each of the hypotheses can be interpreted. The relevant parameters of the specific part of Table 6.17 are denoted by H6 to H12 in the first column.

Hypothesis 6a: There are positive relationships between consumer innovativeness and perceptions of the service innovativeness of banks, for both local and foreign banks' customers ($b_{6\,L}>0$) and ($b_{6\,F}>0$).

For H6, empirical support was found for a significant positive relationship between consumers' innovativeness and the perceptions of the service innovativeness of their banks for the foreign banks' customers with $b_{6\,F} = 0.385$ ($p<0.001$), supporting H6a for foreign banks. However, the relationship was not significant for local banks with $b_{6\,L} = 0.151$ ($p = 0.154$).

Hypothesis 7a: Customers with higher levels of consumer innovativeness hold higher perceptions of their banks' service quality for both local and foreign bank customers ($b_{7\,L}>0$) and ($b_{7\,F}>0$).

For H7, there was no significant relationship between consumer innovativeness and perceptions of service quality for local bank customers, with $b_{7L} = 0.010$ ($p = 0.903$). However, for foreign banks, $b_{7F} = -0.204$ ($p = 0.004$), there was a significant negative relationship.

Hypothesis 8a: Customers with higher levels of prudence hold higher perceptions of their banks' service innovativeness, for local as well as foreign bank customers ($b_{8L}>0$) and ($b_{8F}>0$).

The regression coefficient values for H8 of $b_{8L} = 0.136$ ($p = 0.327$) for local banks and $b_{8F} = 0.256$ ($p = 0.621$) for foreign banks indicate that there were no significant relationships between customers' prudence and their perceptions of their banks' service innovativeness. There is therefore not empirical support for H8a.

Hypothesis 9a: Customers with higher levels of prudence hold higher perceptions of their banks' service quality for local as well as foreign bank customers ($b_{9\,L}>0$) and ($b_{9\,F}>0$).

There is a significant positive relationship between customers' prudence and how customers perceive banks' service quality for local bank customers for H9, with $b_{9\,L} = 0.213$ ($p = 0.049$). However, the coefficient is $b_{9\,F} = 0.558$ ($p = 0.142$) for foreign banks, which is not significant.

Hypothesis 10a: Customers with higher levels of traditional values hold higher perceptions of their banks' service innovativeness for both local banks ($b_{10\,L}>0$) and for foreign banks ($b_{10\,F}>0$).

H10, the relationship between customers' traditional values and banks' service innovativeness was not significant for both local banks $b_{10\,L} = -0.089$ ($p = 0.303$) and foreign banks $b_{10\,L} = -0.195$ ($p = 0.639$). This result suggests that traditional values have no effect on how customers perceive the innovativeness of the banks' services, for both local and foreign bank customers.

Hypothesis 11a: Customers with higher levels of traditional values hold higher perceptions of their banks' service quality for local banks ($b_{11\,L} > 0$) as well as for foreign banks ($b_{11\,F} > 0$).

For local banks, the regression coefficient H11 was $b_{11\,L} = 0.116$ ($p = 0.085$), which was slightly significant at $\alpha = 0.10$ level of significance. This suggest that for local banks, customers' traditional values had some influence on how the viewed their banks' service quality. The relationship between traditional values and perceptions of service quality was not significant for foreign bank customer with $b_{10\,L} = -0.144$ ($p = 0.635$).

Hypothesis 12a: There is a positive relationship between service innovation and service quality for both local ($b_{12\,L}>0$) and foreign banks ($b_{12\,F}>0$).

Finally, for H12, there were strong and highly significant positive relationships between service innovation and service quality for both groups of customers. For local banks $b_{12\,L} = 0.827$ ($p < 0.001$) and for foreign banks $b_{12\,F} = 0.808$ ($p < 0.001$), indicating that service innovation has a strong influence on perceptions of service quality.

The results of the squared multiple correlations of service performance across the two groups of banks are shown in Table 6.20. It is interesting to note that the model explained 81.9% of variation in service quality perceptions for local banks, and 83.6% variation for foreign banks.

Table 6.20: Error variances and squared multiple correlations of service performance

Error Variances			Squared Multiple Correlations		
Error term	Local	Foreign	Variable	Local	Foreign
ey3	0.610	0.792	ServInno	0.054	0.239
ey4	0.134	0.154	ServQual	0.819	0.836
ex1	1.377	0.978	Facilities_Cash	0.276	0.465
ex2	1.055	0.849	PhysAcc	0.379	0.551
ex3	1.231	0.536	ServAcc	0.323	0.639
ex4	0.422	0.475	Innovativeness	0.624	0.704
ex5	0.437	0.444	Tangibles	0.629	0.678
ex6	0.553	0.463	Empathy	0.662	0.747
ex7	0.605	0.233	Security	0.617	0.840
ed13	0.602	0.602	D13	0.615	0.718
ed14	0.814	0.814	D14	0.475	0.591
ed15	1.157	1.157	D15	0.322	0.432
ed5	0.348	0.348	D5	0.717	0.750
ed6	0.517	0.517	D6	0.628	0.667
ed8	0.829	0.829	D8	0.487	0.529
ed1	0.506	0.506	D1	0.788	0.755
ed2	0.455	0.455	D2	0.764	0.729
ed3	0.994	0.994	D3	0.458	0.412
e6	1.056	1.106	B6	0.643	0.623
e7	0.693	0.740	B7	0.744	0.723
e10	0.620	0.828	B10	0.733	0.695
e11	0.978	0.987	B11	0.644	0.665
e27	0.395	0.620	B27	0.822	0.705
e28	1.128	1.659	B28	0.611	0.466
e33	0.880	0.566	B33	0.560	0.739
e34	0.674	0.483	B34	0.620	0.764
e35	1.021	0.671	B35	0.482	0.670
e1	0.927	0.794	B1	0.560	0.634
e2	0.513	0.673	B2	0.721	0.697
e3	0.603	0.663	B3	0.664	0.677
e20	0.588	0.568	B20	0.736	0.763
e21	0.712	0.495	B21	0.678	0.772
e22	0.606	0.582	B22	0.689	0.720
e23	0.679	0.571	B23	0.663	0.723
e31	0.262	0.474	B31	0.858	0.755
e32	0.473	0.723	B32	0.764	0.663

6.7 TESTING FOR MODERATION OF TYPE OF BANK IN THE MULTIPLE-GROUP STRUCTURAL EQUATION MODERATION MODEL OF CULTURAL ORIENTATIONS AND SERVICE PERFORMANCE

In this section, the focus is mainly on the structural part of the model where the hypothesised paths H6 to H12 indicated on Figure 6.2 are of interest. To test whether there are differences between the regression paths of local and foreign bank customers, as stated in H6b to H12b, the hypothesis testing can be conducted by examining whether type of bank moderates the relationships of interest in the hypotheses. If moderation is supported for any of the relationship H6 to H12, it will provide empirical support for the hypotheses stated in H6b to H12b. Again the method developed by Strasheim (2014), involving twelve nested models that include Means, Intercepts and Slopes (MIS models) will be used.

For all the MIS models tested in this section, measurement invariance as stated in model MM4 in Section 6.6, was imposed on the model. Model MM4 has all the measurement weights and intercepts, as well as the second-order weights and intercepts constrained equal across local and foreign banks. The remaining parameters are left to be freely estimated. The invariance restrictions are required for a rigorous assessment of hypotheses H6b to H12b.

As before, each of the paths H6 to H12 in Figure 6.2 can be viewed as having in broad terms an X variable involved (the latent variable from which the path emanates), and a Y-variable (the latent variable at the arrow end of the path). The twelve MIS models proceed by testing for a main effect on the X-variable, a main effect on the Y-variable, and whether the regression paths H6 to H12 are equal across the groups. In the MIS models, the various sets of parameters are

simultaneously constrained equal, until the most feasible model is obtained. Thereafter, single parameters are freed or fixed, narrowing down to the final model. The identification of the final model is based on substantive criteria, and on fit measures, until the model is obtained that best represents the structural relationships.

6.7.1 Fit Measures of the Moderation Models of Cultural Orientations and Service Performance

The fit measures of the twelve MIS models that test for moderation in the structural relationships between customers' cultural orientations and service performance for local and foreign banks are presented in Table 6.21. As shown in the table, the values of the ratio of the Chi-square to the degrees of freedom for the twelve MIS models were all in the region of 1.9, with an increase in models MIS9 to MIS12.

Table 6.21: Fit measures for the twelve means, intercepts and slopes hypotheses

Model	NPAR	CMIN	DF	P	CMIN/DF	AIC
MIS1	143	1261.3	667	0.000	1.891	1547.3
MIS2	140	1266.6	670	0.000	1.891	1546.6
MIS3	141	1262.9	669	0.000	1.888	1544.9
MIS4	138	1268.2	672	0.000	1.887	1544.2
MIS5	136	1270.6	674	0.000	1.885	1542.6
MIS6	133	1275.9	677	0.000	1.885	1541.9
MIS7	134	1275.7	676	0.000	1.887	1543.7
MIS8	131	1281.6	679	0.000	1.888	1543.6
MIS9	131	1373.8	679	0.000	2.023	1635.8
MIS10	128	1379.2	682	0.000	2.022	1635.2
MIS11	129	1383.2	681	0.000	2.031	1641.2
MIS12	126	1388.5	684	0.000	2.030	1640.5
MIS3, with b8, b10, b12 equal	138	1264.5	672	0.000	1.882	1540.5

For the alternative fit measures shown in Table 6.22, the values for the IFI and CFI for the hypotheses MIS1 to MIS8 were above the recommended cut-off point of 0.90. There was an obvious deterioration of the values for models MIS9 to MIS12.

Table 6.22: Other fit measures for the twelve means, intercepts and slopes models

Baseline Comparisons				
MODEL	**IFI**	**TLI**	**CFI**	**SRMR**
MIS1	0.905	0.899	0.904	0.0788
MIS2	0.904	0.899	0.904	0.0788
MIS3	0.905	0.899	0.904	0.0794
MIS4	0.904	0.899	0.904	0.0795
MIS5	0.904	0.900	0.904	0.0810
MIS6	0.904	0.900	0.903	0.0812
MIS7	0.904	0.900	0.903	0.0818
MIS8	0.903	0.899	0.903	0.0819
MIS9	0.888	0.884	0.888	0.1270
MIS10	0.888	0.884	0.887	0.1270
MIS11	0.887	0.883	0.887	0.1270
MIS12	0.887	0.883	0.886	0.1270
MIS3, with b8, b10, b12 equal	0.905	0.900	0.904	0.0806
Model	**RMSEA**	**LO 90**	**HI 90**	**PCLOSE**
MIS1	0.049	0.044	0.053	0.716
MIS2	0.049	0.044	0.053	0.718
MIS3	0.048	0.044	0.053	0.728
MIS4	0.048	0.044	0.053	0.731
MIS5	0.048	0.044	0.052	0.738
MIS6	0.048	0.044	0.052	0.741
MIS7	0.048	0.044	0.053	0.732
MIS8	0.048	0.044	0.053	0.730
MIS9	0.052	0.048	0.056	0.197
MIS10	0.052	0.048	0.056	0.200
MIS11	0.052	0.048	0.056	0.174
MIS12	0.052	0.048	0.056	0.177
MIS3, with b8, b10, b12 equal	0.048	0.044	0.052	0.750

The RMSEA in Table 6.22 was below 0.05 for models MIS1 to MIS8, however, for models MIS9 to MIS12, these values increased to over 0.05. Models MIS9 to MIS12 all have the regression coefficients of H6 to H12 constrained to zero. The fit measures clearly show that at least one of the regression coefficients H6 to H12, are significantly different from zero. The SRMR was also below 0.08 for all the models MIS1 to MIS4.

Table 6.23 depicts the nested model comparisons of the structural model of cultural orientations and service performance. Firstly, of interest is the Chi-square difference test between MIS3 and MIS1. Model MIS1 is a model with all measurement invariance constraints including the intercepts were imposed on the model, however, there were no constraints on the means, intercepts or slopes of the relationship H6 to H12. Model MIS3 is a model with the same constraints as MIS1, except for the two intercepts of service innovation and service quality constrained equal. When hypothesis MIS3 was compared to hypothesis MIS1, the difference in fit had the least significance ($p = 0.453$), implying that when model MIS3 was compared to model MIS1, it can be assumed to fit as well as model MIS1, thereby rendering model MIS3 as a more suitable and more parsimonious model to compare the groups.

When model MIS3 was the reference model, and when it was compared to MIS4, then the values of the difference in fit was not significant ($p = 0.151$), although the p-value is relatively small. Model MIS4 had the same constraints as model MIS3, but the mean values of the cultural orientations latent variables, namely consumer innovativeness, prudence and traditional values were constrained equal.

When either of the models MIS3 and MIS4 were compared to the remaining models, the differences were all significant at $\alpha = 0.10$, leaving the choice between models MIS3 and MIS4. However, the results presented in Table 6.17 suggested that there were significant differences between the two groups of customers in the mean values of consumer innovativeness and in traditional values, rendering model MIS3 as more appropriate, since the means in model MIS4 are equally constrained.

Table 6.23: Nested model comparisons for the twelve means, intercepts and slopes models

MODEL	ΔDF	ΔCMIN	P
Assuming model MIS1 to be correct:			
MIS2-MIS1	3	5.350	0.148
MIS3-MIS1	2	1.586	0.453
MIS4-MIS1	5	6.891	0.229
MIS5-MIS1	7	9.254	0.235
MIS6-MIS1	10	14.594	0.148
MIS7-MIS1	9	14.353	0.110
MIS8-MIS1	12	20.347	0.061
MIS9-MIS1	12	112.533	0.000
MIS10-MIS1	15	117.876	0.000
MIS11-MIS1	14	121.891	0.000
MIS12-MIS1	17	127.233	0.000
Assuming model MIS2 to be correct:			
MIS4-MIS2	2	1.541	0.463
MIS6-MIS2	7	9.244	0.236
MIS8-MIS2	9	14.997	0.091
MIS10-MIS2	12	112.525	0.000
MIS12-MIS2	14	121.883	0.000
Assuming model MIS3 to be correct:			
MIS4-MIS3	3	5.306	0.151
MIS7-MIS3	7	12.767	0.078
MIS8-MIS3	10	18.761	0.043
MIS11-MIS3	12	120.305	0.000
MIS12-MIS3	15	125.648	0.000
Assuming model MIS4 to be correct:			
MIS8-MIS4	7	13.456	0.062
MIS12-MIS4	12	120.342	0.000
Assuming model MIS5 to be correct:			
MIS6-MIS5	3	5.340	0.149
MIS7-MIS5	2	5.099	0.078
MIS8-MIS5	5	11.093	0.050
Assuming model MIS6 to be correct:			
MIS8-MIS6	2	5.753	0.056
Assuming model MIS7 to be correct:			
MIS8-MIS7	3	5.994	0.112
Assuming model MIS9 to be correct:			
MIS10-MIS9	3	5.342	0.148
MIS11-MIS9	2	9.358	0.009
MIS12-MIS9	5	14.700	0.012
Assuming model MIS10 to be correct:			
MIS12-MIS10	2	9.358	0.009
Assuming model MIS11 to be correct:			
MIS12-MIS11	3	5.342	0.148

Based on the model comparisons and fit measure, there is a preference for model MIS3, which will be used as a base to proceed with further testing towards addressing the hypotheses stated in H6 to H12.

These hypotheses were:

Hypothesis 6b: Foreign and local banks differ in the strength of the relationship between consumer innovativeness and perceived service innovativeness of the banks ($b_{6\,L} \neq b_{6\,F}$).

Hypothesis 7b: The strength of the relationship between consumer innovativeness and perceptions of the service quality of banks is different for local and foreign banks customers ($b_{7\,L} \neq b_{7\,F}$).

Hypothesis 8b: The strength of the relationship between customers' prudence and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{8\,L} \neq b_{8\,F}$).

Hypothesis 9b: The strength of the relationship between customers' prudence and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{9\,L} \neq b_{9\,F}$).

Hypothesis 10b: The strength of the relationship between customers' traditional values and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{10\,L} \neq b_{10\,F}$).

Hypothesis 11b: The strength of the relationship between customers' traditional values and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{11\,L} \neq b_{11\,F}$).

Hypothesis 12b: The strength of the relationship between service innovation and service quality is different between the foreign banks and the local banks ($b_{12\,L} \neq b_{12\,F}$).

In order to complete the testing for each of the path coefficients, relating to each of these hypotheses, model MIS3 was used as the model in which the intercepts at service innovation and at service quality were constrained equal for local and foreign banks, in addition to the invariance constraints of model MM4 as described in Section 6.6. The estimated parameters based on model MIS3, specifically pertaining to the relationships H6 to H12 are given in Table 6.24.

Table 6.24: Estimated structural parameters based on model MIS3

Hypothesised Relationships				Regression weights				Intercepts	
				Local		Foreign		Local	Foreign
				Estimate	P	Estimate	P	Estimate	Estimate
H6a	ServInno	<---	C_Innovativeness	0.170	0.103	0.380	***		
H8a	ServInno	<---	Prudence	0.186	0.166	-0.189	0.646	2.671	2.671
H10a	ServInno	<---	Traditional	-0.102	0.236	0.134	0.700		
H7a	ServQual	<---	C_Innovativeness	0.003	0.968	-0.215	0.004		
H9a	ServQual	<---	Prudence	0.195	0.070	0.781	0.021	-0.424	-0.424
H11a	ServQual	<---	Traditional	0.119	0.076	-0.306	0.276		
H12a	ServQual	<---	ServInno	0.818	***	0.834	***		

Hypothesised Relationships				Standarised Regression Weights	
				Local	Foreign
				Estimate	Estimate
H6a	ServInno	<---	C_Innovativeness	0.205	0.472
H8a	ServInno	<---	Prudence	0.214	-0.191
H10a	ServInno	<---	Traditional	-0.172	0.167
H7a	ServQual	<---	C_Innovativeness	0.004	-0.279
H9a	ServQual	<---	Prudence	0.210	0.826
H11a	ServQual	<---	Traditional	0.189	-0.400
H12a	ServQual	<---	ServInno	0.768	0.872

Based on the regression weight estimates and their significances in Table 6.24, both H8a and H10a were not significant for both local and foreign banks. The result is consistent with findings in Section 6.6.2, Table 6.19. There was therefore for H8, no significant relationship between the prudence of customers and their view of the service innovation of their banks for both local and foreign banks. Similarly, there were for H10 also no significant relationship between the traditional values of persons and their views on the service innovation of their banks, for both local and foreign bank customers. Based on the regressions estimates at face value in Table 6.24, the relationship H12 is highly significant and seeming of a similar magnitude for both local and foreign banks. In contrast, for H6, the relationship between consumer innovativeness and service innovation, the relationship is significant for foreign banks but not for local banks. There is also obvious differences between local banks and foreign banks for H7, H9 and H11.

However, before these parameters can be constrained equal, it would make sense to also consider the nested model comparisons, with MIS3 as reference model, where the parameters are fixed equal one by one. The models that were tested when MIS3 was contrasted against a model where b6 was equal for local and foreign banks. Based on model MIS3, an additional model was tested, in which the path for H6 was constrained equal, in order to test for Hypothesis 6b. The chi-square difference test was calculated between model MIS3 with b6 constrained equal, the more restricted model, against model MIS3. The nested model comparison results are provided in Table 6.25.

The process was repeated, each time constraining only one of the parameters b7 to b12 equal in each model. The remaining Chi-square difference test results are also provided in Table 6.25. Using $\alpha = 0.10$ as a rough criterion, it seems reasonable to constrain the parameters b8, b10 and b12 equal. The Chi-square difference results indicated that model MIS3, with b8, b10 and b12 constrained equal does not result in

a significant deterioration of fit over model MIS3 ($p = 0.665$). This model where all three parameters were constrained equal for local and foreign banks was named "MIS3, b8, b10, b12 equal".

Although the difference for model MIS3, b7 equal and for MIS3, b11 equal, was not significant, it was only marginally so. Therefore the parameter b11 was left to be freely estimated at this stage. The final model that was used for the evaluation of the hypotheses H6 to H11, was therefore a model in which, in addition to the constraints of model MIS3, also the coefficients b8, b10 and b12 were equally constrained for local and foreign banks.

Table 6.25: Nested model comparisons for the twelve means, intercepts and slopes models

Assuming model MIS3 to be correct:	ΔDF	ΔCMIN	P
MIS3, b6 equal	1	6.629	0.010
MIS3, b7 equal	1	2.655	0.103
MIS3, b8 equal	1	0.889	0.346
MIS3, b9 equal	1	2.923	0.087
MIS3, b10 equal	1	0.438	0.508
MIS3, b11 equal	1	2.163	0.141
MIS3, b12 equal	1	0.004	0.948
MIS3, b8, b10, b12 equal	3	1.575	0.665

6.7.2 Maximum Likelihood Estimates of the Moderation Model of Cultural Orientations and Service Performance

The estimated parameters of the model MIS3, with b8, b10 and b12 constrained equal, are provided in Tables 6.26, 6.28, 6.29 and 6.30. Based on the parameter

estimates in Table 6.26, and the nested model comparisons in Table 6.25, hypotheses H8b, H10b and H12b can be evaluated.

Hypothesis 8b: The strength of the relationship between customers' prudence and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{8\,L} \neq b_{8\,F}$).

Firstly, for H8, the results in Table 6.26 show that there are no significant relationships for both local banks and foreign banks ($b_8 = 0.136$; $p = 0.261$). In addition, when these parameters were constrained equal, there was no significant difference in fit ($p = 0.346$) compared to a model where b8 was freely estimated for local and foreign banks. The results therefore do not provide empirical support for the notion that there is a relationship between the cultural orientation of prudence, and the perceptions of the innovativeness of the banks. An evaluation of H8b, that the relationship is different for local and foreign banks, is therefore redundant.

Hypothesis 10b: The strength of the relationship between customers' traditional values and perceptions of the service innovativeness of banks is different for local and foreign banks customers ($b_{10\,L} \neq b_{10\,F}$).

For H10, according to the results in Table 6.26, there are no significant relationships for both local banks and foreign banks ($b_{10} = -0.105$; $p = 0.215$). When $b_{10\,L}$ and $b_{10\,F}$ were constrained equal, there was no significant difference in fit ($p = 0.508$) as shown in Table 6.25, compared to a model where b_{10} was freely estimated for local and foreign banks. The results do not give empirical support for a significant relationship between the cultural orientation of traditional values, and perceptions of the innovativeness of the banks. Given that the relationships are not significant, an evaluation of H10b is not required.

Hypothesis 12b: The strength of the relationship between service innovation and service quality is different between the local banks and the foreign banks ($b_{12\,L} \neq b_{12\,F}$).

Table 6.26 shows strong positive relationships between service innovation and service quality across the two groups, with $b_{12\,L} = b_{12\,F} = 0.815$ ($p < 0.001$). The difference in fit when the coefficient b_{12} is constrained equal in comparison with a model where the parameters are freely estimated, is not significant with $p = 0.948$, as shown on Table 6.25. This provides support that the relationship between perceptions of service innovation and service quality can be assumed to be equal for local and foreign banks, thereby rejecting H12b, it seems that there is no significant difference in the strength of the relationship between service innovation and service quality for local and foreign bank customers.

Table 6.26: Estimates of the model relating cultural orientations and service performance

				Regression weights				Intercepts		Standardised regression weights	
				Local		Foreign		Local	Foreign	Local	Foreign
				Estimate	P	Estimate	P	Estimate	Estimate	Estimate	Estimate
H6b:	ServInno	<---	C_Innovativeness	0.264	***	0.315	***	2.491	2.491	0.311	0.401
H8b	ServInno	<---	Prudence	0.136	0.261	0.136	0.261			0.154	0.141
H10b	ServInno	<---	Traditional	-0.105	0.215	-0.105	0.215			-0.174	-0.133
H7b	ServQual	<---	C_Innovativeness	-0.022	0.780	-0.193	0.003	-0.333	-0.333	-0.025	-0.253
H9b	ServQual	<---	Prudence	0.203	0.046	0.705	0.020			0.219	0.749
H11b	ServQual	<---	Traditional	0.121	0.067	-0.251	0.326			0.190	-0.327
H12b	ServQual	<---	ServInno	0.815	***	0.815	***			0.776	0.837
	Facilities_Cash	<---	ServInno	0.911	***	0.911	***	0.579	0.579	0.541	0.673
	PhysAcc	<---	ServInno	1.000		1.000		0.000	0.000	0.627	0.729
	ServAcc	<---	ServInno	0.962	***	0.962	***	0.316	0.316	0.583	0.793
	Innovativeness	<---	ServInno	1.042	***	1.042	***	0.287	0.287	0.803	0.826
	Tangibles	<---	ServQual	1.000		1.000		0.000	0.000	0.796	0.821
	Empathy	<---	ServQual	1.210	***	1.210	***	-1.019	-1.019	0.817	0.862
	Security	<---	ServQual	1.146	***	1.146	***	-0.391	-0.391	0.789	0.916
	B6	<---	Facilities_Cash	1.000		1.000		0.000	0.000	0.806	0.785
	B7	<---	Facilities_Cash	1.026	***	1.026	***	-0.067	-0.067	0.864	0.845
	B10	<---	PhysAcc	1.000		1.000		0.000	0.000	0.859	0.828
	B11	<---	PhysAcc	1.020	***	1.020	***	-0.218	-0.218	0.806	0.811
	B27	<---	ServAcc	1.000		1.000		0.000	0.000	0.909	0.835
	B28	<---	ServAcc	0.987	***	0.987	***	-0.131	-0.131	0.785	0.675
	B33	<---	Innovativeness	1.000		1.000		0.000	0.000	0.754	0.854
	B34	<---	Innovativeness	0.990	***	0.990	***	-0.004	-0.004	0.791	0.871
	B35	<---	Innovativeness	0.923	***	0.923	***	0.351	0.351	0.701	0.814
	B1	<---	Tangibles	1.000		1.000		0.000	0.000	0.750	0.795
	B2	<---	Tangibles	1.060	***	1.060	***	-0.124	-0.124	0.851	0.833
	B3	<---	Tangibles	1.004	***	1.004	***	0.382	0.382	0.816	0.821
	B20	<---	Empathy	1.000		1.000		0.000	0.000	0.859	0.872
	B21	<---	Empathy	0.956	***	0.956	***	0.234	0.234	0.825	0.877
	B22	<---	Empathy	0.905	***	0.905	***	0.427	0.427	0.832	0.847
	B23	<---	Empathy	0.903	***	0.903	***	0.463	0.463	0.816	0.849
	B31	<---	Security	1.000		1.000		0.000	0.000	0.927	0.867
	B32	<---	Security	0.986	***	0.986	***	0.042	0.042	0.876	0.812
	D13	<---	C_Innovativeness	1.000		1.000		0.000	0.000	0.785	0.852
	D14	<---	C_Innovativeness	0.867	***	0.867	***	0.820	0.820	0.682	0.767
	D15	<---	C_Innovativeness	0.753	***	0.753	***	1.069	1.069	0.564	0.660
	D5	<---	Prudence	1.000		1.000		0.000	0.000	0.845	0.864
	D6	<---	Prudence	0.999	***	0.999	***	0.069	0.069	0.793	0.816
	D8	<---	Prudence	0.947	***	0.947	***	0.188	0.188	0.698	0.727
	D1	<---	Traditional	1.000		1.000		0.000	0.000	0.888	0.869
	D2	<---	Traditional	0.884	***	0.884	***	0.623	0.623	0.874	0.853
	ServInno	<---	C_Innovativeness	0.264	***	0.315	***	2.491	2.491	0.311	0.401

Using the model MIS3, with b8, b10 and b12 constrained equal as a reference model, each of the remaining parameters were constrained equal, one by one, using the Chi-square difference test (Bagozzi & Yi, 1989). Using $\alpha = 0.10$, the difference in fit was significant for b6, b7 and b9, and marginally not significant for b11. The Chi-square difference test results are given in Table 6.27, and these results and the estimates in Table 6.26 are used to evaluate hypotheses H6b, H7b, H9b and H11b.

Table 6.27: Nested model comparisons for each of the paths H6, H7, H9 and H11

Assuming model MIS3 with b8, b10, b12 equal to be correct:			
MIS3, b8, b10, b12 equal and b6 equal	1	6.766	0.009
MIS3, b8, b10, b12 equal and b7 equal	1	3.187	0.074
MIS3, b8, b10, b12 equal and b9 equal	1	3.608	0.057
MIS3, b8, b10, b12 equal and b11 equal	1	2.463	0.117

Hypothesis 6b: Foreign and local banks differ in the strength of the relationship between consumer innovativeness and perceived service innovativeness of the banks ($b_{6\,L} \neq b_{6\,F}$).

The results suggest that there are significant positive relationships between consumer innovativeness and perceptions of the service innovativeness of their respective banks for both local banks ($b_{6\,L} = 0.264$; $p < 0.001$) and foreign banks ($b_{6\,F} = 0.315$; $p < 0.001$), again leading to empirical support for H6a. However, when these two parameters were constrained equal, the difference in fit compared to a model where the parameters were freely estimated, was significant (p=0.009) as was shown in Table 6.27, lending support for a model in which the parameters should rather be freely estimated. Therefore, it seems that customers of local and foreign banks differ significantly in the strength of the relationship between their cultural orientation pertaining to consumer innovativeness,

and their perceptions of the innovativeness of their banks, with the relationship being stronger for customers of foreign banks.

Hypothesis 7b: The strength of the relationship between consumer innovativeness and perceptions of the service quality of banks is different for local and foreign banks customers ($b_{7\,L} \neq b_{7\,F}$).

The results from Table 6.26 suggest that there was not a significant relationship between consumer innovativeness and perceptions of the service quality of their bank for both customers of the local banks ($b_{7\,L} = -0.203$; $p = 0.780$). For foreign customers, there was a significant negative relationship between consumer innovativeness and perceptions of service quality ($b_{7\,F} = -0.193$; $p = 0.003$). This result is in contrast to what was hypothesized in H7a. In order to evaluate H7b, two models were compared. One model was with b8, b10 and b12 constrained equal (as reported in Table 6.26), and the Chi-square difference test was obtained with a model in which the parameter b7 was also constrained equal. The difference in the chi-square value was significant ($p = 0.074$), thereby lending support for H7b.

Hypothesis 9b: The strength of the relationship between customers' prudence and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{9\,L} \neq b_{9\,F}$).

From the results of Table 6.26 there were significant positive relationships between a prudent cultural orientation and the perceive service quality of their banks, for local banks' customers ($b_{9\,L} = 0.203$; $p = 0.046$), as well as for foreign banks' customers ($b_{9\,F} = 0.705$; $p = 0.020$). This result supports H9a. In order to evaluate H9b, two models were compared, with the one model having b8, b10 and b12 constrained equal (as reported in Table 6.26), and the Chi-square difference test was obtained if the parameter b9 was also constrained equal, in addition to b8, b10 and b12. The difference in the Chi-square value was significant ($p = 0.057$), thereby lending support for H9b.

Hypothesis 11b: The strength of the relationship between customers' traditional values and perceptions of the service quality of banks is different for local and foreign bank customers ($b_{11\,L} \neq b_{11\,F}$).

From the results of Table 6.26 there were weak, but significant positive relationships between a traditional cultural orientation and the perceived service quality of their banks, for local banks' customers ($b_{11\,L} = 0.121$; $p = 0.067$). This relationship was negative, but not significant foreign banks' customers ($b_{11\,F} = -0.251$; $p = 0.326$). This result supports H11a for local bank customers, but not for foreign bank customers. In order to evaluate H11b, two models were compared, with the one model having b8, b10 and b12 constrained equal (as reported in Table 6.26), and the Chi-square difference test was obtained if the parameter b11 (in addition to b8, b10 and b12) was also constrained equal. The difference in the Chi-square value was just not significant ($p = 0.117$). It is therefore not conclusive if there is support for H11b. Based on theoretical grounds, it seems plausible that traditional values will have a stronger influence for customers of local banks, when compared to customers of foreign banks.

Table 6.28 presents the estimated latent variable means and variances of the three constructs of cultural orientations for the two groups of banks. There were very significant differences in the model implied mean values of consumer innovativeness ($p = 0.033$), with customers from foreign banks having higher mean values than customers of local banks. There was not a significant difference between the prudence cultural orientation ($p = 0.143$) for local and foreign banks' customers. There was also a somewhat significant difference in customers' traditional values ($p = 0.099$), for customers of local and foreign banks.

Table 6.28: Estimated latent variable means and variances of the cultural orientations

	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
C_Innovativeness	5.217	5.491	0.276	0.033	0.952	1.571
Prudence	5.949	6.110	0.161	0.143	0.878	1.035
Traditional	5.798	6.036	0.237	0.099	1.884	1.560

Table 6.29 provides the estimates of the covariances and the correlations between the latent variables of cultural orientation. The shared variance between consumer innovativeness and prudence was 30% for the local banks and 23% for the foreign banks; between consumer innovativeness and tradition the values were 23% for the local banks and 21% for the foreign banks. However, the discriminant validity between prudence and tradition for local banks was marginal as the shared variance was 50%, while the same constructs for foreign banks were perceived the same by the customers as the squared correlation coefficient value was 90%. One should therefore keep this in mind in the final interpretation of the research results.

Table 6.29: Estimated covariances and correlations of the cultural orientations

			Covariances		Correlations	
			Local	Foreign	Local	Foreign
C_Innovativeness	<-->	Prudence	0.493	0.607	0.539	0.476
C_Innovativeness	<-->	Traditional	0.632	0.697	0.472	0.445
Prudence	<-->	Traditional	0.908	1.212	0.706	0.954

Table 6.30 provides the squared multiple correlations of the model. It is interesting to note that the model explained 11.3% of the variability in perceptions of service innovation for local banks, and 16.9% for foreign banks. The percentage variance explained in the model for service quality was 81.5% for local banks and 84.4% for foreign banks.

Table 6.30: Error variances and squared multiple correlations of service performance

	Error Variances		Squared Multiple Correlations		
Error term	**Local**	**Foreign**	**Variable**	**Local**	**Foreign**
ey3	0.610	0.804	ServInno	0.113	0.169
ey4	0.140	0.143	ServQual	0.815	0.844
ex1	1.378	0.972	Facilities_Cash	0.293	0.452
ex2	1.059	0.851	Empathy	0.667	0.743
ex3	1.234	0.529	Innovativeness	0.645	0.682
ex4	0.411	0.489	Tangibles	0.634	0.674
ex5	0.438	0.444	ServAcc	0.340	0.628
ex6	0.553	0.464	PhysAcc	0.394	0.532
ex7	0.604	0.231	Security	0.622	0.839
e6	0.473	0.721	B32	0.767	0.659
e7	0.263	0.476	B31	0.859	0.751
e10	0.698	0.745	B7	0.746	0.715
e11	1.051	1.102	B6	0.650	0.617
e27	0.620	0.832	B10	0.738	0.686
e28	0.978	0.983	B11	0.650	0.658
e33	0.392	0.621	B27	0.827	0.696
e34	1.131	1.659	B28	0.617	0.455
e35	0.512	0.674	B2	0.724	0.694
e1	0.927	0.794	B1	0.563	0.631
e2	0.603	0.663	B3	0.667	0.674
e3	0.676	0.482	B34	0.626	0.758
e20	0.881	0.569	B33	0.568	0.730
e21	1.018	0.669	B35	0.492	0.662
e22	0.711	0.495	B21	0.681	0.769
e23	0.589	0.568	B20	0.738	0.761
e31	0.607	0.582	B22	0.692	0.718
e32	0.678	0.572	B23	0.666	0.720
ed13	0.825	0.825	D14	0.464	0.589
ed14	0.593	0.593	D13	0.616	0.726
ed15	1.157	1.157	D15	0.318	0.435
ed5	0.516	0.516	D6	0.629	0.666
ed6	0.351	0.351	D5	0.714	0.747
ed8	0.830	0.830	D8	0.487	0.528
ed1	0.456	0.456	D2	0.763	0.728
ed2	0.505	0.505	D1	0.789	0.755
ed3	0.996	0.996	D3	0.457	0.411

6.8 SUMMARY OF SUBSTANTIVE RESULTS

In this chapter, the substantive hypotheses were presented and tested. The results for each of the two models are summarised in this section.

6.8.1 Summary of the Model for Service Performance, Customer Satisfaction and Corporate Reputation

The first structural model that was tested, related the expanded service performance model with customer satisfaction and corporate reputation, and incorporated H1 to H5. In this model, measurement invariance was imposed on the measurement weights and intercepts of all the indicator variables, as well as on the second-order weights and intercepts of the service performance model. This allowed for a rigorous assessment of the structural relationships H1 to H5 in Figure 6.1, and of the differences between local and foreign banks. Figure 6.3 summarises the estimated structural relationships that were found to be the best fitting model and which could be theoretically substantiated. For the sake of convenience, the relevant part of the estimated parameters from Table 6.11 is presented in Table 6.31. The significance tests between the nested models that were performed and reported in Table 6.10, are provided in Table 6.32.

Table 6.31: Structural estimates of the model relating service performance with customer satisfaction and corporate reputation

Maximum Likelihood model estimates				Regression weights			
				Local		Foreign	
				Estimate	P	Estimate	P
H1b	CustSatisfaction	<---	ServInno	0.052	0.713	0.052	0.713
H3b	CustSatisfaction	<---	ServQual	0.720	***	0.720	***
H2b	CorpRep	<---	ServInno	-0.373	0.013	-0.373	0.013
H5b	CorpRep	<---	CustSatisfaction	0.298	***	0.298	***
H4b	CorpRep	<---	ServQual	1.142	***	1.142	***

Table 6.32: Nested model comparisons for each of the paths H1 to H5

Hypothesis	Model	Df	CMIN	P
MIS7 with b1 free	MIS7[1]	1	0.183	0.669
MIS7 with b2 free	MIS7	1	0.009	0.925
MIS7 with b3 free	MIS7	1	0.183	0.669
MIS7 with b4 free	MIS7	1	0.007	0.934
MIS7 with b5 free	MIS7	1	0.000	0.990

1: In model MIS7, the coefficients H1, H2, H3, H4 and H5 are all constrained equal

Firstly, it was found for H1, that there was no significant relationship ($b_1 = 0.052$; $p = 0.713$) (see Table 6.31) between service innovation and customer satisfaction for both local and foreign banks, and this relationship was not significantly different ($p = 0.669$) for local and foreign banks, based on the Chi-square difference test shown in Table 6.32.

Secondly, for H2, from Table 6.31, there was a significant negative, although relatively weak relationship ($b_2 = -0.373$; $p = 0.013$) between service innovation and corporate reputation for both local and foreign banks, and this relationship was not significantly different ($p = 0.925$) for local and foreign banks (Table 6.32).

For H3, in Table 6.31, service quality had a strong significant relationship with customer satisfaction for both foreign and local banks ($b_3 = 0.720$; $p < 0.001$), and this relationship could be assumed be assumed to be similar (from Table 6.32) for both banks ($p = 0.669$).

In Table 6.31, the relationship H4 between service quality and corporate reputation was very strong and highly significant for both banks, ($b_4 = 1.142$; $p < 0.001$). This relationship was also not significantly different for local and foreign banks ($p = 0.934$).

Lastly, for H5, the relationship between service quality and customer satisfaction ($b_5 = 0.298$; $p < 0.001$) (Table 6.31) was relatively low, but it was very significant for both local and foreign banks. Again, from Table 6.32, there was no significant difference between local and foreign banks on the strength of this relationship ($p = 0.990$).

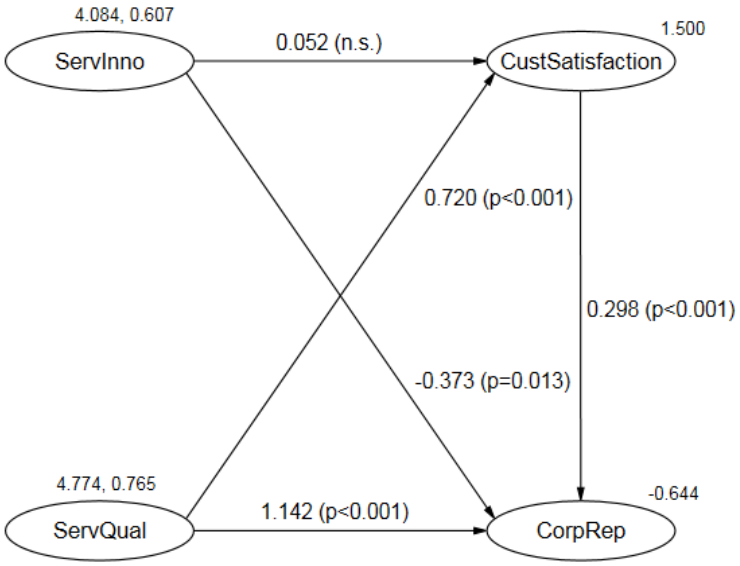
From Figure 6.3 it is clear that the main difference between local and foreign banks were in the mean levels of service innovation and service quality (see Table 6.12). The model implied mean estimate for service innovation for the local banks was 4.084, which was significantly lower than the model implied mean of 4.399 of foreign banks (difference = 0.315; $p = 0.004$). Similarly, the model implied mean of service quality 4.774 was also significantly smaller than that of the foreign banks, with a mean value of 4.998 (difference = 0.224; $p = 0.028$).

For the first structural model tested, the main conclusion can be summarized that two of the results were not expected according to the stated hypotheses. The one unexpected result was that there were no significant relationship between service innovation and

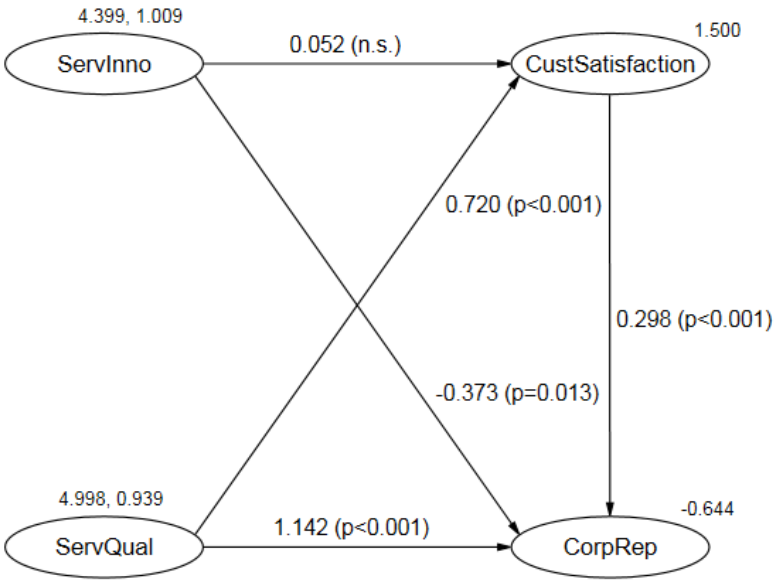
customer satisfaction, and the second was that there was a moderate, though significant negative relationship between service innovation and corporate reputation. One of the main findings in the first model was that there were no significant differences in the strength of the hypothesised relationships between local and foreign banks, thereby rejecting the hypotheses H1b to H5b. The primary significant differences between local and foreign banks were at the latent mean levels, where foreign banks were significant higher in terms of perceived service innovation and customer satisfaction. The maximum likelihood estimated parameters in Figure 6.3 provides a visual summary of the results.

Figure 6.3: Estimated structural parameters based on the model relating service performance, customer satisfaction and corporate reputation

Structural parameters for local banks



Structural parameters for foreign banks



6.8.2 Summary of the Model for Cultural Orientations and Service Performance

In the second model that was tested, the three cultural orientation dimensions of consumer innovativeness, prudence and traditional values were modelled as antecedents of service innovation and service quality. With the final estimated structural relationships shown in Figure 6.4, interesting findings were obtained. For the sake of convenience the estimated structural parameters reported in Table 6.26 are provided in Table 6.33.

Table 6.33: Structural estimates of the model relating cultural orientations and service performance

				Regression weights			
				Local		Foreign	
				Estimate	P	Estimate	P
H6b:	ServInno	<---	C_Innovativeness	0.264	***	0.315	***
H8b	ServInno	<---	Prudence	0.136	0.261	0.136	0.261
H10b	ServInno	<---	Traditional	-0.105	0.215	-0.105	0.215
H7b	ServQual	<---	C_Innovativeness	-0.022	0.780	-0.193	0.003
H9b	ServQual	<---	Prudence	0.203	0.046	0.705	0.020
H11b	ServQual	<---	Traditional	0.121	0.067	-0.251	0.326
H12b	ServQual	<---	ServInno	0.815	***	0.815	***

The nested model comparisons from Tables 6.25 and 6.27 are repeated in Table 6.34 and 6.35 respectively, to make it easier to follow the discussion hereafter.

Table 6.34: Nested model comparisons for the twelve means, intercepts and slopes models

Assuming model MIS3 to be correct:	ΔDF	ΔCMIN	P
MIS3, b6 equal	1	6.629	0.010
MIS3, b7 equal	1	2.655	0.103
MIS3, b8 equal	1	0.889	0.346
MIS3, b9 equal	1	2.923	0.087
MIS3, b10 equal	1	0.438	0.508
MIS3, b11 equal	1	2.163	0.141
MIS3, b12 equal	1	0.004	0.948
MIS3, b8, b10, b12 equal	3	1.575	0.665

Table 6.35: Nested model comparisons for the twelve means, intercepts and slopes models

Assuming model MIS3 with b8, b10, b12 equal to be correct:			
MIS3, b8, b10, b12 equal and b6 equal	1	6.766	0.009
MIS3, b8, b10, b12 equal and b7 equal	1	3.187	0.074
MIS3, b8, b10, b12 equal and b9 equal	1	3.608	0.057
MIS3, b8, b10, b12 equal and b11 equal	1	2.463	0.117

From Table 6.33, the relationships postulated in H8, between the cultural orientation of prudence and service innovation was not significant for both local and foreign banks (b8 = 0.136; p = 0.261). Similarly, the relationship H10 between a traditional cultural orientation and service innovation, was also not significant for both local and foreign banks (b10 = –0.105; p = 0.215). When the parameters of these relationships were constrained equal for local and foreign banks, there was also no significant deterioration in the Chi-square values based on the Chi-square difference tests repeated in Table 6.34. For b8 to be constrained equal the resulting increase in the Chi-square value was not significant (p = 0.346), and for b10 constrained equal it was also not significant (p = 0.508).

H12, the relationship between service innovation and service quality was highly significant for both local and foreign banks, ($b_{12\,L} = b_{12\,F} = 0.815$; $p < 0.001$) as shown in Table 6.33, and the difference in fit based on the Chi-square difference test in Table 6.34 was also not significant (p=0.948).

The final model relating cultural orientations and service performance therefore had the parameters b8, b10 and b12 constrained equal. The remainder of the relationships hypothesized in H6, H7, H9 and H11 were evaluated against this model. In each of these relationships there were interesting differences in the strengths of the relationships between local and foreign banks.

From Table 6.33, it was found for H6, that there was a significant moderate and positive relationship between the cultural orientation of consumer innovativeness and service innovation for local banks ($b_{6L} = 0.264$; $p < 0.001$) and for foreign banks ($b_{6F} = 0.315$; $p < 0.001$). These relationships were also found to be significantly different for local banks and foreign banks, based on the Chi-square difference test results shown in Table 6.35 ($p = 0.009$).

For H7, as shown in Table 6.33 the relationship between consumer innovativeness and service quality was not significant for local banks ($b_{7L} = -0.022$; $p = 0.780$) and was significant and negative for foreign banks ($b_{7F} = -0.193$; $p = 0.003$). These relationships were significantly different for local banks and for foreign banks based on the Chi-square difference test shown in Table 6.27, ($p = 0.074$).

The relationship depicted in H9, a prudent cultural orientation and service quality was significant for local banks ($b_{9L} = 0.203$; $p = 0.046$) and was strong and significant for

foreign banks ($b_{9F} = 0.705$; $p = 0.020$). These relationships were significantly different when evaluated using the Chi-square difference test in Table 6.35 ($p = 0.057$).

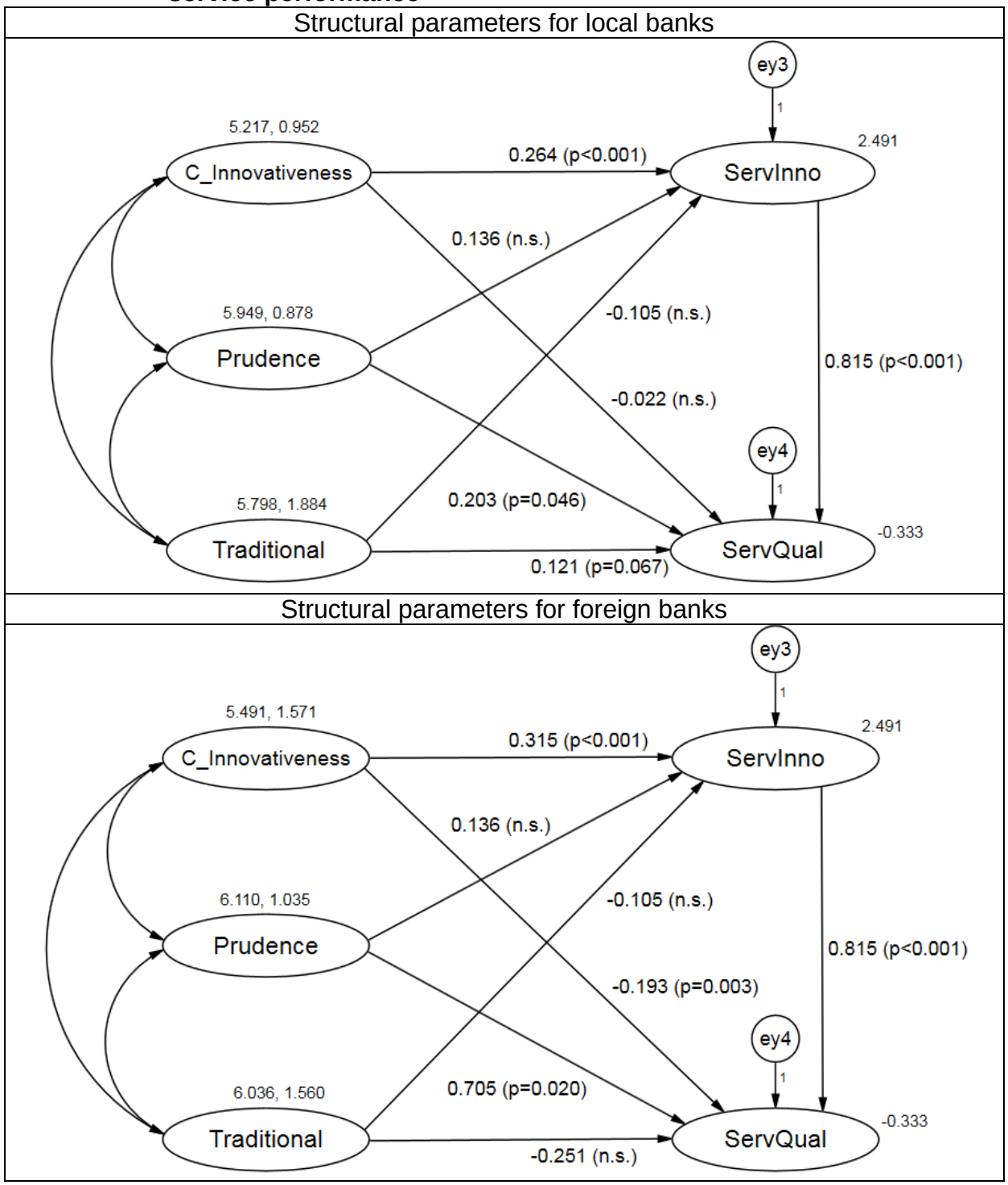
Lastly, for H11, the relationship between a traditional cultural orientation was slightly significant (although very weak) and positive for local bank customers, ($b_{11\,L} = 0.121$; $p = 0.067$), and not significant for foreign banks ($b_{11\,F} = -0.251$; $p = 0.326$). These relationships were not significantly different on a criterion based on α=0.10, using the chi-square difference test ($p = 0.117$), but only marginally so.

A graphical summary of the stated hypotheses are provided in Figure 6.4.

There were significant differences between the mean levels of local and foreign banks in terms of their cultural orientations, as shown in the model implied mean estimates of the latent variables consumer innovativeness and a traditional cultural orientation on Figure 6.4.

The mean consumer innovativeness for local bank customers was 5.217, and of foreign banks it was 5.491. As shown in Table 6.28, the difference (0.276) was significant ($p = 0.033$). The mean prudence values of 5.949 and 6.110 for local and foreign banks respectively were not significantly different ($p = 0.143$). In terms of a traditional cultural orientation, surprisingly, the mean value for local banks was 5.798, which was somewhat significantly ($\alpha = 0.10$) lower than the 6.036 mean of foreign banks (difference = 0.237; $p = 0.099$).

Figure 6.4: Estimated structural parameters based on the model best representing the relationships between cultural orientation and service performance



In Chapter 7, further discussion and possible explanations of the findings are provided, and the main conclusions of this study are given. The limitations of the study are discussed and suggestions for areas of further research are also offered.

CHAPTER 7
CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

In Chapters 5 and 6, the main research findings were presented, interpreted and discussed. The focus of this chapter is on the conclusions, recommendations and managerial implications of the study. This study involved a comparative analysis of the perceptions of customers of local versus foreign banks. The two groups of customers answered questions about their perceptions of service performance (conceptualised as service quality and service innovation), and the effects of service performance on customer satisfaction and corporate reputation, as well as the influence of customer satisfaction on corporate reputation. In addition, the influence of a customer's cultural orientation on perceived service performance was compared between local and foreign banks. Conclusions from the findings with recommendations are offered for banks to enhance their service performance in practice.

7.2 PURPOSE OF THE STUDY

The primary objective of this study was to examine the influence of personal cultural orientation on customers' perceptions of service performance, and how these perceptions influence both customer satisfaction and the bank's reputation, and ultimately how customer satisfaction influences corporate reputation. The fundamental reason for examining the role of personal cultural orientation is that

service performance plays a significant role in the banking sector, given the ease with which customers can switch between banks. One of the contributions of the study was to develop a deeper understanding of whether personal cultural orientation affects a customer's service performance perceptions, and how these in turn affect customer satisfaction and corporate reputation.

7.3 IMPORTANCE OF THE CONTEXT OF THIS STUDY

Changes in business regulations and structures as well as the evolution of technology have played a significant role in changing banking operations worldwide. The introduction of new business regulations helped to eliminate business barriers that have been hindering cross-border business expansions. The new business regulations made it possible for banks to operate globally with fewer restrictions, while the changes that have occurred in these banks' structures have made the banks more competitive. The evolution in technology has forced bank executives to gear their business strategies towards improving service delivery. The strategic focus of banks is now directed towards improving service performance and customer satisfaction and enhancing their reputation.

In this study, an expanded service performance model was developed and applied to reflect the realities of the Tanzanian banking industry. This expanded model acted as an umbrella to incorporate the conventional service quality dimension and the new service innovation dimension. Service innovation was added because the influx of foreign banks to Tanzania has forced local banks to be consistently innovating new services in order to compete by meeting customers' expectations and by matching or improving their service offerings against those of the foreign banks (Daudi & Sonny, 2002). Similarly, because of the realities of the Tanzanian economy, cash distribution was modelled as being a dimension of service innovation, because Tanzanian

customers predominantly use cash rather than debit or credit card transactions. It was therefore important to include service innovation as an aspect of service performance in examining how service performance influences customer satisfaction and corporate reputation in Tanzania for both local and foreign banks.

Banks operating in this highly competitive business environment continue to compete in terms of customer satisfaction by ensuring excellent service performance that meets or exceeds customers' expectations. Delivering a quality service has always been considered an important prerequisite for establishing and sustaining satisfying relationships with valued customers (Shanka, 2012). Customer satisfaction leads to customer loyalty (Lee, 2010), which in turn ensures the generation of stable revenue and profits for the banks and enhances their corporate reputation (Dowling, 2004).

Furthermore, for business firms to be successful in both local and international markets, they need to follow appropriate business strategies that incorporate the impact of cultural differences. Different customer groups may exhibit different cultural orientations, and these may affect their perceptions of service delivery and satisfaction. Different cultural values may dictate different outcomes in terms of behaviour and attitudes (Boonghee & Naveen, 2005). Strategic business models that accommodate cultural values could be more effective in enhancing perceptions of service performance and customer satisfaction, thereby enhancing corporate reputation.

7.4 DISCUSSION OF THE RESULTS ACCORDING TO THE STATED RESEARCH OBJECTIVES

7.4.1 Specific Research Objective 1:

The first objective of this study was to develop and test a model of service performance that is relevant to the Tanzanian context.

In order to obtain a holistic understanding of the realities facing banks in Tanzania, the expanded service delivery model, or a comprehensive service performance model, includes service quality and service innovation as higher-order dimensions of service performance. Service innovation was included in the model since local banks are becoming increasingly innovative in their service delivery due to competitive pressure brought about by the entry of foreign banks into Tanzania (Daudi & Sonny, 2002). Facilities for cash distribution as an aspect of service innovation was incorporated, since customers who use banking services in Tanzania still prefer cash transactions to debit or credit cards.

In this study, service innovation included new banking products that allow flexible repayment options, such as for a bond on fixed property. These products influence customer satisfaction as customers can compare service charges across banks and derive a sense of value-for-money from this. According to Jun and Cai (2001), charges on services such as loans or interest paid on fixed deposits play a fundamental role in meeting customer satisfaction, because customers should always feel they are getting value for money. This is borne out in Tanzania, where price has

been used by the banks as their most important business strategy for attracting and retaining customers.

In this study the comparison between the perceptions of customers of local versus foreign banks regarding service performance was based on the second order dimensions of the expanded service delivery model. This consists of two key second-order latent variables, namely service quality and service innovation. This conceptualization provides a holistic view of how the two groups of customers perceived service delivery and what their preferences were in terms of the key aspects of service performance.

The expanded service delivery model was found to be reliable and valid as applied in this particular study, and to possess measurement invariance across the two groups of banks. The only concern in the model was that discriminant validity between all the constructs were not clearly supported, leading to the higher-order model. The discriminant validity between the higher-order constructs of service performance, namely service innovation and service quality were also not clearly established. However, based on theoretical reasons, the proposed model seems sensible. The fit measures were all below the recommended cut-off criteria (Hu & Bentler, 1999) which signified adequate model fit. For a detailed discussion of the measurement model, the reader is referred to Section 5.3 in Chapter 5.

7.4.2 Specific Research Objective 2:

The second research objective was to examine differences in perceptions of service performance between local and foreign banks as perceived by their customers. The

discussion of this objective is based on the results presented in Tables 5.10 and 5.18, which are combined and listed in Table 7.1 for the sake of convenience.

Table 7.1: Estimated latent variable means and variances of service performance

Latent variable	Means				Variances	
	Local banks	Foreign banks	Difference[1]	Sig.	Local banks	Foreign banks
Facilities_Cash	4.236	4.640	0.404	0.010	1.857	1.877
PhysAcc	4.112	4.369	0.257	0.078	1.604	1.653
ServAcc	4.184	4.592	0.408	0.006	1.910	1.488
Innovativeness	4.571	4.836	0.265	0.044	1.106	1.654
ServInno	4.082	4.400	0.318	0.004	0.637	1.027
Tangibles	4.807	4.964	0.157	0.209	1.192	1.317
Empathy	4.712	5.068	0.356	0.012	1.700	1.724
Security	5.122	5.308	0.186	0.168	1.424	1.546
ServQual	4.750	5.030	0.281	0.032	1.206	1.469

Table 7.1 shows a comparative analysis of the two dimensions, namely service quality and service innovation, as part of the proposed expanded service delivery model, when related to service quality and corporate reputation.

Examining service performance was important because it shows how the commercial banks operating in Tanzania meet their customers' expectations. Customers tend to remain loyal if a firm meets their service expectations and the firm will eventually make a profit from these customers (Kamakura, *et al*., 2002). According to Keiningham *et al.* (2003), other behavioural outcomes that may result from customer loyalty include repeat purchases and the spreading of a positive view by word of mouth. The examination of service performance proved to be highly relevant in this

study as both local and foreign banks have been competing fiercely to ensure that customers' expectations on service delivery are attained so that satisfied customers act as ambassadors to other potential customers. The model implied mean values in Table 7.1 suggest that foreign banks were perceived to be significantly better than local banks in terms of service performance, on both service innovation ($p = 0.004$) and service quality ($p = 0.032$). Although the means of foreign banks were higher than that of local banks on Tangibles and Security, the differences in means were not significant, with ($p = 0.209$) and ($p = 0.168$) respectively.

Table 7.1 also shows that foreign banks were perceived to be better than local banks in terms of overall service innovation ($p = 0.004$). In particular, foreign banks were perceived to be slightly better at providing their customers with physical access ($p = 0.078$) as reflected in the size and number of parking spaces on their branch premises. They also have a more extensive branch network than local banks. This is because foreign banks believe in expanding their customer base and putting in place facilities that will accommodate potential new customers. This study was carried out in the major cities of Dar Es Salaam, Arusha, Mwanza and Dodoma, where foreign banks have concentrated because city dwellers use banking services as they are educated and have high purchasing power.

Service access was also examined as an aspect of service innovation, and here too foreign banks were perceived to be significantly better ($p = 0.006$) than local banks. The accessibility of services refers to the time customers spend in queues. Customers of local banks tend to switch to foreign banks because of the long queues experienced in local banks. A finding in a study of customer satisfaction in different banking industries in Africa conducted by KPMG (2013) confirms that long queues in the banks' branches lead to customer dissatisfaction and result in their defection from those banks.

In addition, in terms of innovativeness, foreign banks performed significantly better than local banks based on mean perceptions ($p = 0.044$). Because of their greater financial strength, foreign banks charged lower interest rates on loans and lower commission charges on financial transactions and paid higher interest rates on fixed deposits. As a result they were less affected than local banks by the income disparity in Tanzania, being able to attract customers from the full range of income segments.

In this study, service innovation included new banking products that allow flexible repayment options, such as a bond on fixed property. These products influence customer satisfaction as customers can compare service charges across banks and derive a sense of value-for-money from this. According to Jun and Cai (2001), charges on services such as loans or interest paid on fixed deposits play a fundamental role in meeting customer satisfaction because customers should consistently feel they are getting value for money. This is borne out in Tanzania, where price has been used by the banks as their most important business strategy for attracting and retaining customers.

In this study, foreign banks are on average perceived to be significantly more effective in providing facilities for distribution of cash than local banks ($p = 0.010$), as reflected in responses to items referring to having more ATMs per branch and having ATMs that are more conveniently located and accessible. In the Tanzanian context, local banks were not fast enough in adopting the new technology of ATMs. Moreover, cash distribution has also been made easy and more convenient for foreign bank customers by the introduction of Visa cards, where a customer can simply access his or her cash at any ATM which is connected to Visa. By contrast, some local banks have been tardy in introducing Visa cards.

In this study, facilities for cash distribution were examined by considering the convenience of ATMs per branch as a means for strengthening a bank's cash distribution network. According to Jun and Cai (2001), improved cash distribution is often aimed at meeting or exceeding customers' expectations, resulting in their satisfaction. For instance, a study conducted by Moguluwa and Ode (2013) explained the benefits of technological advancements such as ATMs and telephone and internet banking in meeting customers' expectations and hence ensuring their satisfaction. This is possible because these technologies provide convenience which plays an important role in customer satisfaction. Furthermore, technologies such as ATMs enhance the overall speed of service delivery and hence improve customers' time management by eliminating long queues and bureaucracy.

With regard to service quality delivery, foreign banks were generally perceived to have similar tangibles in place than those of local banks, since there were not significant differences ($p = 0.209$) between local and foreign banks in terms of equipment and exterior environment. On average, the interior of the branches were not perceived to be significantly different from that of a local bank branches. Also, perceptions of facilities and materials such as signs, symbols, advertisements boards and pamphlets were perceived on average to be fairly similar for local and foreign banks. Although foreign banks were already far ahead of the local banks in terms of technological advancements and service standards when they arrived in Tanzania, it seems that the local banks have caught up in terms of the tangible dimension of service quality.

Foreign bank employees were perceived to be significantly more empathetic than local bank employees ($p = 0.012$) as reflected in items related to (i) providing caring and individual attention to customers, (ii) having the best interest of customers at

heart, (iii) understanding the specific needs of their customers, (iv) serving customers politely and (v) answering customers' complaints politely and in a friendly manner. This may be explained by the additional training that the foreign banks have invested and continue to invest in training their front office employees to be better at providing the required service standards. However, recently, local banks have started training their frontline employees with the same purpose.

Finally, there were not significant differences between local and foreign banks in terms of security consciousness ($p = 0.168$). The reason for this could possibly be that when foreign banks first entered Tanzania, most customers were concerned about the confidentiality of their financial transactions. At that early stage, too, theft by dishonest employees was another serious problem. The foreign banks therefore had to make sure that security was their foremost priority so as to be able to earn their customers' trust, and it seems from the results that the playing field in terms of security was relatively even for local and foreign banks during the time of data collection.

7.4.3 Specific Research Objective 3:

The third research objective was to examine differences in customer satisfaction levels between local banks and foreign banks. This was important in view of the differences in mean levels of customers' perceptions in terms of overall service innovativeness and service quality.

Customer satisfaction has attracted a great deal of attention from business managers as an important business strategy because it plays a fundamental role in attracting and retaining customers, as satisfied customers tend to stay loyal to firms. The

recognition of the importance of customer satisfaction to the overall prosperity of today's business firms arises from the proliferation of service firms delivering nearly identical services in a particular industry. This tendency has made room for customers to shop around for better services, giving firms no option, if they are to survive, but to ensure that customers are satisfied (Korda & Boris, 2010).

Customer satisfaction has become more relevant in the banking industry in Tanzania, because commercial banks have to constantly create unique services in order to exploit their market niche. Customers usually struggle to see any differences in the services that banks deliver, because whenever a new service is introduced, it can be copied quickly by rivals (Olaleke, 2010). This is also seen in the Tanzanian banking industry, where banks tend to copy business strategies from their competitors after seeing that they might also work in their own favour.

Previous studies have established a close link between customer satisfaction and financial performance, as satisfied customers tend to generate stable revenue and hence improve overall profit performance (Van & Lee, 2012). In a service industry, the moment of truth that defines the firm's service performance is the employee-customer encounter. If this service encounter is not properly handled, then it can automatically result in dissatisfied customers spreading unfavourable word-of-mouth reports to other potential customers.

Based on the mean values in Table 5.52 in Section 5.6, repeated here for the sake of convenience, the output from the study indicated that, overall customer satisfaction levels were found to be slightly higher for the foreign banks' customers than for the local banks' customers ($p = 0.089$).

Table 7.2: Estimated latent mean and variance of customer satisfaction

Latent	Means				Variances	
Variable	Local	Foreign	Difference	Sig.	Local	Foreign
Customer Satisfaction	5.143	5.333	0.190	0.089	0.929	1.160

Based on the results in Table 7.2, customers who were using foreign banks' services were on average slightly more satisfied than customers who were using local banks' services. Specifically, the service performance of the foreign banks' was perceived to be higher than that of the local banks, foreign banks' customers seemed to have slightly more favourable feelings towards their banks than local banks' customers, and lastly, there seemed to be a higher possibility for foreign banks' customers to continue using their banks' services than for local banks' customers to do so.

7.4.4 Specific Research Objective 4:

The fourth specific research objective was to compare the perceived corporate reputation of their banks between local and foreign bank customers. This was important because the differences in service delivery between the banks could lead to differences in customer satisfaction. This in turn could influence perceptions of the banks' reputation at mean level.

With the increase of competitive pressure in service industries, service firms have been constantly trying to enhance their corporate reputation. These strategic efforts recognise the role that corporate reputation plays in overall revenue generation (Walsh & Beatty, 2007). The banks operating in the Tanzanian banking industry have also been attempting to preserve their positive reputation as viewed by their stakeholders.

Firms strive to ensure a favourable reputation because it is associated with business performance outcomes such as customers' repeat purchase intentions, customers' attitudes towards the firm's sales force and the firm's services (Brown, 1995), attracting new investors and strengthening the ability to compete (Fombrun & Shanley, 1990).

Moreover, a firm's reputation usually signals the overall internal and external status of the firm to both internal and external stakeholders. This means that a firm's reputation usually gives an assurance to both customers and employees about the future strategic business path that the business is likely to undertake (Dowling & Moran, 2012).

According to Walsh and Beatty (2007), corporate reputation plays an important role in ensuring service performance. Through their business managers, service firms can formulate different marketing strategies that would be geared towards enhancing the firm's reputation. As their reputation improves they should be in a better position to ensure customer satisfaction and increasingly be able to earn trust from their customers.

This study examined corporate reputation from the customers' perspective. As depicted in Table 7.3, based on the results presented Section 5.5 and more specifically in Table 5.42 the corporate reputation of foreign banks was perceived on average to be slightly higher than that of local banks, although the difference was not statistically significant ($p = 0.127$).

Table 7.3: Estimated latent variable means and variances of corporate reputation

Latent Variable	Means				Variances	
	Local	Foreign	Difference	Sig.	Local	Foreign
CorpRep	4.818	5.017	0.199	0.127	1.472	1.452

The results of this study indicated that there were not significant differences between local and foreign banks customers, in terms of their reliability and financially strength, social and environmental awareness and in terms of corporate social responsibility. According to Walsh and Beatty (2007), customers tend to view the reputation of a business firm favourably if the firm has financial muscle, if it offers products and service standards which meet customers' expectations, and if the firm is socially and environmentally responsible.

7.4.5 Specific Research Objectives 5 and 6:

The fifth specific objective was to investigate the relationships between the two service performance higher-order dimensions of service innovation and service quality on customer satisfaction and corporate reputation, and the effects of customer satisfaction on corporate reputation. The sixth objective was to compare these relationships across the two groups of banks.

The structural equation model used in this study was about investigating the structural influences of service performance on customer satisfaction and corporate reputation and between customer satisfaction and corporate reputation. The model was used to explain how customers using foreign banks differ from those using local banks in their perceptions of overall service delivery, and to explain how these differences may have an effect on customer satisfaction and on the banks' reputation.

There is considerable evidence from previous studies confirming the relationship between service performance and customer satisfaction. However, these constructs should be treated as separate research ideas that play a fundamental role in the process of making customer purchase decisions (Moguluwa & Ode, 2013).

According to Korda and Boris (2010), for business firms to succeed in competitive business industries, they should give special attention to the enhancement of products and service quality, both of which play a fundamental role in ensuring customer satisfaction. In Tanzania there has been a radical shift from a state driven economy to a market driven economy, resulting in a change of strategic focus by the banks to becoming more customer-centric by introducing changes towards meeting or exceeding customers' expectations. The findings from this study support the notion that higher levels of service quality are positively related to customer satisfaction and an improved business reputation.

From the analyses in Chapter 6, summarised in Section 6.8.1, and shown on Figure 6.3, the discussion that follows is based on the structural parameters (with insignificant paths removed) shown in Figure 7.1.

There were significant differences on average between local and foreign banks operating in the Tanzanian banking industry in terms of service innovation and service quality at a higher order level. Although there are many similar offerings to their customers, on average, there is not a significant difference between these banks in terms of both customer satisfaction and corporate reputation, which explains the equal intercepts on these two variables in Figure 7.1.

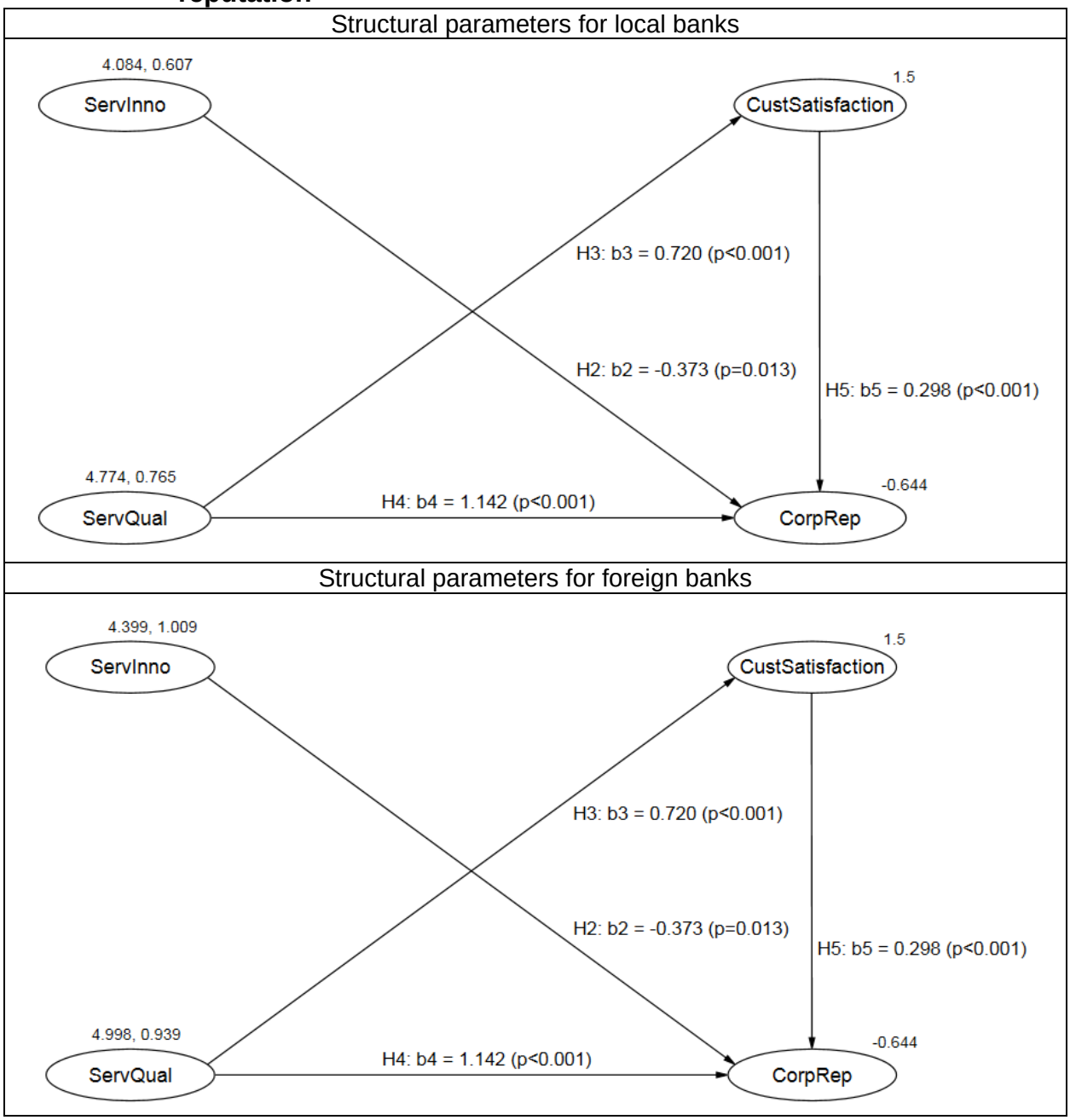
There was no significant relationship between service innovation and customer satisfaction (H1) for both local and foreign banks, and the results pertained to both local and foreign banks.

It was interesting to find that, contrary to expectation, that the relationship between service innovation and corporate reputation (H2) was significant and moderately negative. Furthermore, the relationship was not significantly different for local and foreign banks. This may be explained that many innovations may be an improvement in the longer term, but in the short term, it may cause inconvenience for customers, or may even leave customers dissatisfied due to uncertainty of whether the new product would indeed save them money. However, although service innovation seems not to have a positive effect on customer satisfaction, and a weak negative effect on corporate reputation, it does not mean that banks in Tanzania should ignore the need for innovation.

There was a highly significant strong positive relationship between banks' service quality and customer satisfaction (H3) across the two groups of banks, and the relationship was not significantly different for local and foreign banks. This finding was consistent with previous studies. For example, according to Ravichandran *et al*., (2010), service quality was found to be an important antecedent of customer satisfaction. That is, as service firms improve their service standards so as to meet and exceed customers' expectations, this tends to enhance customers' satisfaction levels. The link between service quality and customer satisfaction across the two groups of customers is due to the shift in Tanzania from a state driven economy to a market driven economy. Banks have responded to this by changing their strategic focus from doing customers a favour towards meeting or exceeding their expectations.

Based on Figure 7.1, the relationship between service quality and reputation (H4) was very highly significant for both local and foreign banks, and the relationship was not significantly different for local and foreign banks. This finding implies that whenever a service firm succeeds in meeting customers' service quality expectations, they tend to have a more favourable perception of the firm's reputation. According to Nguyen and Leblanc (2001), perceived reputation establishes a business advantage against competitors that becomes difficult to imitate. Because a bank's reputation is an intangible asset that is difficult to imitate, the two groups of banks have been consistently building their reputations by ensuring high service standards. Moreover, Walsh and Beatty (2007) found a link between a favourable corporate reputation and improved financial performance.

Figure 7.1: Estimated structural parameters based on the model relating service performance, customer satisfaction and corporate reputation



In this study, the relationship between customer satisfaction and corporate reputation (H5) was also examined. Previous studies have established that in theory service performance is closely linked to meeting customers' expectations and hence to

ensuring their satisfaction (Davis, et al., 2002: Walsh, et al., 2006). This in turn enhances customer loyalty (Fombrun & Van Riel, 1997) and earns trust (Doney & Cannon, 1997), and finally spreads a favourable word of mouth (Groenland, 2002).

And finally, customer satisfaction had a moderate influence on corporate reputation (H5) for both local and foreign banks. This output was consistent with previous studies by Davies, *et al.,* (2002) and Walsh, *et al*., (2006) which support the link between customer satisfaction and corporate reputation. Satisfied customers tend to ascribe a favourable reputation to their service firms. In the Tanzanian context, both local and foreign banks are striving to ensure that their customers are satisfied so that they have a favourable perception of their bank's reputation and in turn spread a favourable opinion by word of mouth (Groenland 2002).

Excellent service performance usually ensures the improvement of a business firm's reputation and assists them to maintain and expand their market share. These outcomes tend to have a tremendous effect on the business firm's financial performance and the overall profit generated (Julian & Ramaseshan, 1994; Zeithaml, *et al*., 1996). The recognition of the role of service performance on the bank's overall reputation has therefore made bank managers take cognisance of significant service performance features with their influence in ensuring a favourable reputation, maintaining their customer base and attracting new customers (Yonggui, *et al*., 2003).

7.4.6 Specific Research Objective 7:

The seventh objective was to compare personal cultural orientations of customers of local banks and customers of foreign banks. Differences between the two groups of

customers under examination in their cultural orientation and values may affect how they perceive the service delivery of their banks.

According to Sharma (2010), prudent versus traditional cultural orientations can also be referred to as long term against short term cultural orientations. Studies indicate that customers who exhibit prudent cultural values tend to purchase long term universal products and services because of being sure of their sustainability; they always try to form sustainable relationships with these products and services (De Mooij & Hofstede, 2002). Customers with prudent behaviour tend to be better at managing their financial expenses, as seen in their low expenditure levels (Soares, *et al.,* 2007). In this they differ from customers who hold traditional values.

Moreover, prudent customers are more flexible in their purchase decisions, ready to adapt to changes that might be happening in their surroundings (Franke, *et al.,* 1991). These long term customers are usually more innovative in their daily purchases, which forces business firms to be constantly developing new products to meet their dynamic demands (Van Everdingen & Waarts, 2003). They are also quick to raise complaints in situations where the service providers fail to meet their expectations (Hui & Au, 2001; Poon, *et al.,* 2004). In Tanzania, both short and long term orientations are prevalent, with the majority of educated individuals tending to plan for the future.

Finally, Sharma (2010) argues that consumer innovativeness is closely associated with customers being able to withstand uncertainties about the future. These customers tend to be more ready to buy products which have just been introduced than to buy old products.

Comparisons between the cultural orientations of local banks customers versus foreign banks customers focused on differences between prudent and traditional values and on customers' openness to innovation. The mean values of the comparative analysis across the two groups of banks are as depicted in Table 7.4, based on the results discussed in Section 5.4 and Table 5.29.

From Table 7.4, it is interesting to note that on average, foreign bank customers were slightly more traditional than that of local bank customers ($p = 0.098$). Although customers of the foreign banks were on average slightly more 'prudent' than those of local banks, the differences are not significant ($p = 0.144$). Lastly, on average, the consumer innovativeness of foreign customers were significantly higher than that of local customers ($p = 0.035$).

Table 7.4: Estimated latent variable means and variances of personal cultural orientations

Latent variable	Means				Variances	
	Local	Foreign	Difference[1]	Sig.	Local	Foreign
Tradition	5.797	6.034	0.237	0.098	1.839	1.540
Prudence	5.947	6.108	0.161	0.144	0.879	1.066
Consumer Innovativeness	5.220	5.486	0.265	0.035	0.897	1.425

According to Sharma (2010), traditional values and prudence were considered to be positively correlated and therefore both represent a customer's long term orientation. Prudent customers are expected to be more future orientated and therefore more savings orientated, although the culture of saving is not seriously embedded in the Tanzanian culture due to the poverty of the country, with the majority of its citizens being low income earners. Very few Tanzanians are high income earners. That foreign banks' customers are more innovative could be reflected in their willingness to

switch from local to foreign banks in response to the ability of foreign banks to be constantly innovating new products and services.

7.4.7 Specific Research Objectives 8 and 9:

The eighth research objective was to investigate the relationships between key aspects of personal cultural orientation (consumer innovativeness, traditional values and prudence values) and second order constructs of service performance (service innovation and service quality); whilst the ninth research objective was to compare the strengths of these relationships between local and foreign bank customers.

The structural relationship between customers' cultural orientations and the banks' service performance was important because the interest in culture's influence on marketing activities has been increasing in the current universal business environment. Human perceptions are filtered through the lens of culture, and its influence on business performance could be linked to customer satisfaction and the overall improvement of the firm's service performance (Bolton & Myers, 2003). In addition, customers' attitudes and beliefs, being an integral part of any culture, are included in the affective component, which many scholars believe has an impact on customer satisfaction levels beyond classical expectancy-disconfirmation effects (Szymanski & Henard, 2001). It was found that cultural values influence service recovery expectations (Poon, et al., 2004; Kanousi, 2005), complaint behaviour (Liu & McClure, 2001) as well as evaluations of the moment of truth (Stauss & Mang, 1999), since cultural values have an influence on belief systems and perceptions, thereby shaping overall attitudes. Specifically, in the marketing context, customers' cultural orientations influence perceptions of products, services and purchase decisions. For service firms to be successful in today's competitive business environment, it is

required to take into consideration the cultural values of both their actual and potential customers where they operate.

This study examined the relationship between three dimensions of cultural orientation on the one hand (innovativeness, prudence and traditional values) and two dimensions of service performance on the other (service innovation and service quality). All these models were examined in the Tanzanian context by comparing the perceptions of the customers of foreign banks with those of local banks.

It was found that on average, customers from the foreign banks were significantly higher than local banks' customers based on traditional values and consumer innovativeness. However, there were no significant differences between local and foreign bank customers base on prudence.

The results on the hypothesized relationships between cultural values and perceptions of service innovation and service quality are provided in Figure 7.2, based on the summary of results provided in Section 6.8.2 and Figure 6.4. In Figure 7.2, the insignificant paths were removed.

The findings in Figure 7.2 suggest that for both groups of customers there was moderate but significant relationships between consumer innovativeness and how these customers perceive their bank's ability to innovate services (H6). This result may be explained by the possibility that both groups of customers with high scores for consumer innovativeness prefer new services offered by the banks, and are willing to try them out. This output is also in line with the Sharma's (2010) argument that consumer innovativeness is closely associated with customers being comfortable with uncertainties of the future. This makes it possible for them to have favourable perceptions towards their bank's ability to innovate new services. It is also interesting to note that the relationship is significantly different for local and foreign bank customers, with the relationship stronger for foreign bank customers. This effect is

also over and above the finding that the mean consumer innovativeness of foreign bank customers are significantly higher for foreign bank customers than for local bank customers.

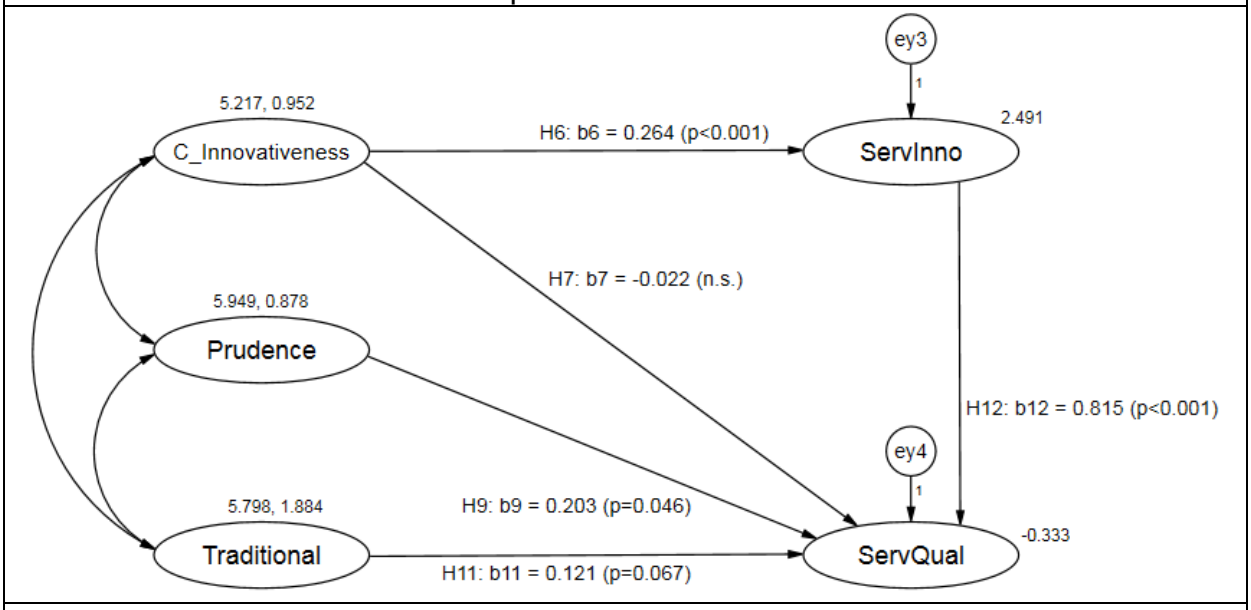
There is no significant relationship between consumer innovativeness and perceptions of service quality (H7) for local bank customers, and there is a weak, although significant negative relationship between consumer innovativeness and perceptions of service quality for foreign bank customers.

Prudence had no significant influence on customers' perceived service innovativeness (H8), across the two groups of banks. Since the path is not significant, it does not show in Figure 7.1. This finding is consistent with the study conducted by Soares, *et al*., (2007) which explained that prudent customers are cost conscious as could be seen in their low expenditure levels. This could be interpreted that despite a bank's efforts to innovate new and appealing services, customers with prudent behaviour may be skeptical towards buying the new services. There was a significant positive relationship between prudence and service quality (H9) for both local and foreign banks, with this relationship being very strong and significant for foreign banks. This result may pose an opportunity for positioning the foreign banks' offerings as being prudent.

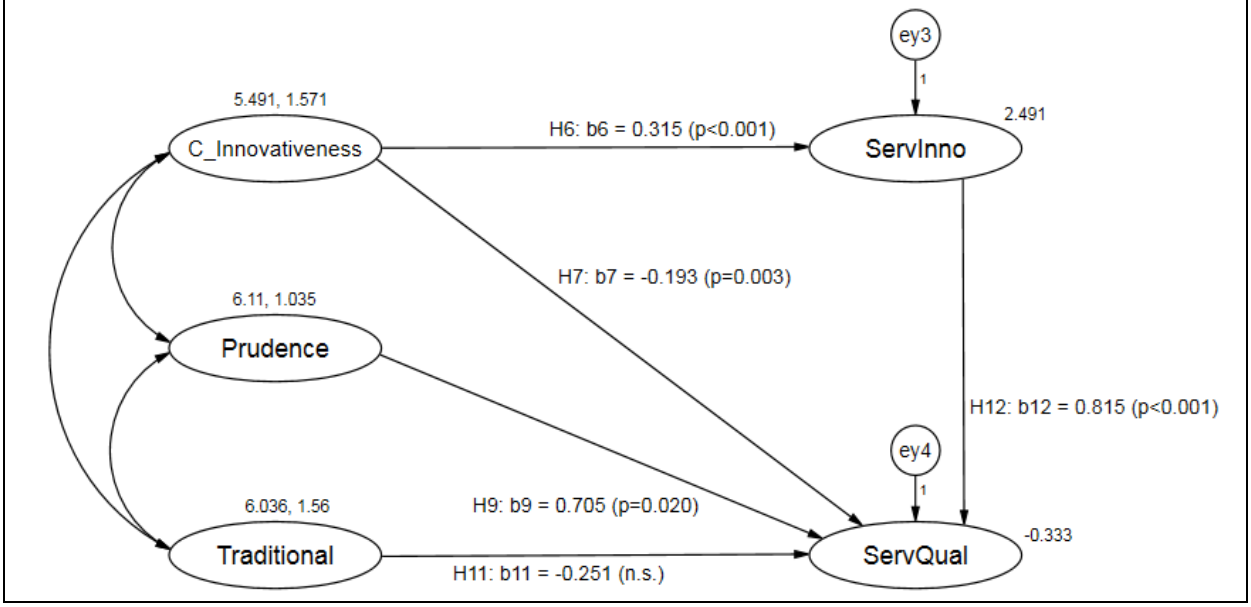
Traditional values seem to have no significant relationship ($p = 0.215$) on perceptions of service innovativeness (H10) for customers of both local and foreign banks. This is in line with Sharma's (2010) view that customers with traditional cultural values tend to have perseverance and tend to adhere to realities.

Figure 7.2: Estimated structural parameters based on the model best representing the relationships between cultural orientation and service performance

Structural parameters for local banks



Structural parameters for foreign banks



When the relationship between customers' traditional values and perceptions of service quality (H11) is examined at the $\alpha = 0.10$ level of significance, the relationship is weak, although significant for local bank customers. The coefficient value is 0.121 (p = 0.067). However for foreign bank customers, this relationship is not significant.

Finally, a strong significant relationship between service innovativeness and overall service quality (H12) was found for both local and foreign bank customers. Service innovation seems to have a great influence on the overall improvement of a bank's service quality. This finding is in agreement with the study by Agarwal, *et al*., (2003), who argue that a market oriented service firm will be innovative in terms of its service offerings so as to ensure superior service quality delivery. This in turn gives customers value for money for the services delivered (Narver & Slater, 1990). This is also true of the Tanzanian banking industry where both foreign and local banks continuously try to innovate new services so as to improve customer perceptions of their services. This ultimately leads to both customer satisfaction and a more favourable corporate reputation.

7.4 MANAGERIAL IMPLICATIONS

In order for banks to gain and sustain their competitive edge in a very competitive business environment like the Tanzanian banking industry, it becomes important for them to understand what customers perceive to be the most important aspects of both service quality and service innovation and how these priorities influence their behaviour.

One of the insights provided by this study was that service quality was very useful for predicting customer satisfaction and corporate reputation in both local and foreign banks. In addition, both service quality and service innovation levels were perceived positively in both groups of banks. With this in mind, it becomes the bank managers' task to keep making sure that their tangibles are all in place. These include pamphlets and brochures, cleanliness in the branches, employees' empathy and security, which includes customers' financial confidentiality. Secondly, both local banks and foreign banks need to ensure continuous improvements in physical access, service access and innovativeness. Finally, bank managers must make sure that their banks have sufficient ATM machines per branch and that they are conveniently located in safe areas.

This study found that customers using foreign banks' services were generally more satisfied than those using local banks' services. It is therefore up to the managers of the local banks to conduct customer surveys to identify those areas where their banks have been lagging behind foreign banks. They should strive to improve their overall service quality and service innovation, both of which play an underlying role in customer satisfaction.

Market offerings should be prioritised by bank managers as this plays a fundamental role in determining corporate reputation. These offerings should include both product and service quality. Moreover, managers should make sure that their banks are taking part in social and environmental activities involving their stakeholders. These customers may enhance a bank's reputation by spreading the perception that the bank is returning part of its profits to society.

Moreover, the findings from the study have shown that there are very strong positive relationships between service quality on the one hand and both customer satisfaction and corporate reputation in the Tanzanian banking industry on the other. Bank managers therefore need to continue training frontline employees to identify and meet customers' needs and aspirations. The approach in training staff must be strategic and embedded with the bank's culture in order to enhance customer satisfaction and in turn the bank's reputation. Loyal customers have the potential of becoming their bank's brand ambassadors by spreading a positive word of mouth that may increase customer loyalty, reduce the cost of sales and expand the bank's market share.

Empathy as a prerequisite for frontline employees should be taken seriously by bank managers. This highlights the importance of having the right calibre of frontline employees, especially for customer-facing roles. Bank managers need to empower frontline employees with training in relationship management and other important technical capabilities in order to improve the quality of service delivery.

The research results on expanded service performance suggested that customers' perceptions on service quality dimensions and service innovation were not industry specific but can also be interpreted as country specific, in the sense that each country, having its own cultural values, may exhibit differences in how customers perceive service quality delivery and service innovation. This is supported by the fact that there are differences in the underlying factors that make up the important elements of a particular service bundle that are important to particular customers depending on industry, culture and country (Avkiran, 1994). Therefore, the results of this study cannot be generalised beyond the Tanzanian context.

In this study, service innovation was also seen to strongly influence corporate reputation. It therefore becomes the task of the managers of the local banks to continuously innovate their services so as to influence their customers' perceptions about their banks' reputation.

In addition, bank managers, especially of the local banks, could consider increasing efforts on tackling long queues at bank branches by using different approaches such as the branch layout redesign or deploying more ATMs or assigning more resources to branches. Specifically, long queues in local banks have led to customers switching from local banks to foreign banks. This means that local bank managers have to make service access their top strategic focal point in order to maintain and enhance current loyalty levels.

The findings on service performance make it clear that managers of both foreign and local banks should improve banks' service performance dimensions, which are service innovation and service quality, so as to ensure higher levels of customer satisfaction and give them an advantage against their competitors. Ensuring customer satisfaction is even more important in a service industry where there is stiff competition because satisfied customers will ensure repeat purchases of the firm's service offerings.

Finally, bank managers of both groups of banks should have a very clear understanding of the culture of their customers. This is because customers' cultural orientations have been seen to influence how they perceive banks' service performance. Multinational business firms, in our case foreign banks, may face challenges in the cultural set up within the countries in which they want to operate. That being the case, it is important for their managers to recognise that the cultural landscape of a particular country, in our case Tanzania, may have an impact on the

banks' prospects of creating customer satisfaction and loyalty. They need to devise marketing strategies that are tailored to this specific banking industry.

For example, consumer innovativeness has been seen to have an influence on their perceptions of service innovativeness and service quality delivery. Moreover, both prudence and traditional values have been seen to have an influence on the customers' perceptions of service quality delivery. These findings make it imperative for managers of both foreign and local banks to have a clear understanding of the cultural values of their customers.

7.5 ACADEMIC CONTRIBUTION OF THE STUDY

As the survival of a service firm depends ultimately on the profit that it generates and since there is a close link between profitability and customer satisfaction (Ming & Ing, 2005), focusing on the implementation of key service delivery dimensions could play a fundamental role in the service firm's overall performance. However, significant environmental and cultural differences have been reported between developed and developing countries in the practical implementation of service quality and service innovation strategies. It was therefore of paramount importance to examine how customers' cultural orientations may have an influence on their perceptions of service performance and how service performance influenced overall customer satisfaction and a bank's corporate reputation.

The proposed structural equation model in this study contributes to the discipline of marketing management in a number of ways. Specifically, the models examined the interrelationships between four main research constructs which were personal cultural orientation, service performance, customer satisfaction and corporate reputation.

Service performance in this study was conceptualised as an expanded service delivery model which comprised service quality and service innovation. These models were tested across local and foreign bank customers, and important insights were gained on the differences between these two major segments, with the foreign bank customers rating their banks consistently higher on all service innovation and service quality, but interestingly, slightly higher on customer satisfaction and corporate reputation, but this difference was not significant.

The most important academic contribution of this study came from the application of the expanded service delivery model. Previous studies used service quality as a means of examining the performance of service firms in the process of service delivery (Brady & Cronin, 2001; Carman, 1990). While these studies were relevant and contributed significantly in the field of marketing management, the inclusion of service innovation proved useful in this study as this dimension gives a more holistic reflection of the current reality of the Tanzanian banking industry. Service innovation was examined to evaluate how competitive pressures from the foreign banks forced local banks to be innovative in their service delivery. Under service innovation, facilities for cash distribution were also examined due to the fact that most of the Tanzanian customers prefer using cash transactions rather than debit or credit card transactions. Service innovation was therefore added to form an expanded service delivery model that would show how different changes that have been brought in by the foreign banks have led to changes in the modes of business operation by the local banks.

The second academic contribution of this study is based on the structural relationships between customers' cultural orientations and service performance. The structural models were examined to examine the extent to which cultural orientations influence perceptions on service quality and service innovation.

There was a strong positive relationship between consumer innovativeness and customers' perceptions of the service innovativeness of their banks, for both banks, and the relationship was significantly stronger for the foreign banks customers. The relationship between consumer innovativeness and service quality was not significant for local banks, but it was moderate in strength, but significant and negative for foreign banks customers. Customers' prudence seems to have no relationship on perceptions of the banks' service innovativeness. There was a strong positive relationship between prudence and perceptions of service quality, with the relationship being significantly stronger for foreign bank customers than for local banks' customers. Traditional values did not have a significant influence on how customers perceived service innovativeness. The study showed that for local banks' customers, traditional values seem to have a weak but positive relationship with service quality, whilst this influence was not significant for foreign bank customers.

Customers' cultural orientations have been included in this study due to the fact that the concept has been well received in the discipline of marketing management and other related international business disciplines as associated with the outcome of a variety of customer behaviours and attitudes. Understanding the influence of customer cultural orientation on attitudes and behaviours after the post-purchase experience has therefore attracted increasing academic interest. In this study evidence suggests that cultural orientations do influence how customers perceive overall service performance, and that there are several difference between local bank customers and foreign bank customers.

Finally, the study did a comparative analysis on customer satisfaction levels between foreign and local banks and identified those important dimensions of an expanded

service delivery model that bank managers should prioritise in order to improve customer satisfaction.

7.7 LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

The researcher suggests that the measurement instrument used be considered for further refinement. Specifically, in the measure used for overall customer satisfaction, only three questions were used. The new measurement instrument could be designed to contain more items to ensure a comprehensive representation of customer satisfaction.

The results of the personal cultural orientations measurement model did not find major differences based on means average between local banks customers and foreign banks customers. These small differences across the two groups could be attributed to the Tanzanian population having a very homogeneous cultural disposition, and this may explain the rather small differences. Should the study be replicated in Tanzania, such studies should target specific groups, for example black Tanzanians, Tanzanian-Indians, Tanzanians-Arabs and the resident white population.

Another area that could be considered for further study comes from the conceptual framework that was used in this study. The researcher suggests that this conceptual framework that comprised personal cultural orientations, service performance, customer satisfaction and corporate reputation be subjected to further investigation to examine other possible outcomes such as customer loyalty and purchase intentions.

Finally, the researcher recommends that future studies should consider alternative outcome variables over and above corporate reputation. For example, subsequent studies could consider switching behaviour of customers, customer loyalty or consumer skepticism as outcome variables. A model to predict the switching propensity of customers, which can also predict the direction of switching (foreign to local / local to foreign / local to local / foreign to foreign), and the issues leading to the experience of dissonance after post-purchase experience could be useful for bank managers.

Despite all these, the current business environment in Tanzania is characterized by stiff competition between the banks. However, the industry is still lucrative and therefore provides possibilities for substantial market share expansion. However, the strategic focus of these banks has to change from an inward strategy formulation approach to an outward strategy formulation approach which is largely centred on identifying exact customer needs, incorporating cultural values, so that these needs can be met and exceeded. This approach will make it possible for the banks to enjoy a market niche which is important in ensuring their continuous survival.

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ADDENDUM A:
DATA COLLECTION INSTRUMENT

Please complete this survey by circling your choice,
or fill the numbers in the space provided.

For office use only

A: BACKGROUND INFORMATION

1. Age in years

18 or younger	1	19 – 25	2	26 – 35	3	36 – 45	4
46 – 55	5	56 – 65	6	66 – 75	7	76 +	8

2. Gender

Male	1	Female	2

3. Which of these banks do you use mainly for your banking service?

Standard Chartered Bank (T) LTD	1	Habib African Bank LTD	16
Stanbic Bank (T) LTD	2	NIC Bank (T) LTD	17
Citibank (T) LTD	3	Azania Bancorp	18
FBME Bank (T) LTD	4	Bank of Baroda (T) LTD	19
Bank of Africa (T) LTD	5	Bank M (T) LTD	20
Diamond Trust Bank (T) LTD	6	Access Bank (T) LTD	21
Exim Bank (T) LTD	7	Bank of India (T) LTD	22
National Bank of Commerce LTD	8	United Bank for Africa (T) LTD	23
National Microfinance Bank LTD	9	Mkombozi commercial bank PLC	24
CRDB Bank PLC	10	Ecobank (T) LTD	25
The Peoples' Bank of Zanzibar LTD	11	Advans Bank (T) LTD	26
Akiba Commercial Bank LTD	12	Barclays Bank (T) LTD	27
KCB Bank (T) LTD	13	BancABC (African Banking Corporation)	28
International Commercial Bank (T) LTD	14	Commercial Bank of Africa	29
Dar-es-Salaam Community Bank	15	I & M Bank (T) LTD	30

4. How would you describe yourself as a customer with this bank? Please select one option only.

Individual person	1
Small or medium enterprise business owner	2
Corporate customer representing a large organisation	3
Microfinance institution	4

5. Within this bank, which type(s) of bank account(s) do you keep?
Please tick all the types of accounts that you keep

Savings	1
Current	2
Fixed deposits	3
Call account	4
Time account	5

6. Technology as banking interface
Please indicate yes/no for each question.

	NO	YES
1. Do you have access to the Internet?	1	2
2. Are you comfortable with banking on the Internet?	1	2
3. Do you have a mobile phone?	1	2
4. Are you comfortable with using your mobile phone for banking services?	1	2

	Please indicate the perceptions of the banking service that you mainly use for your financial services.	Strongly Disagree						Strongly agree
B	**SERVICE QUALITY PERCEPTION**							
1.	The bank has up-to-date and modern equipment to serve customers more efficiently.	1	2	3	4	5	6	7
2.	The exterior of the bank is visually appealing and attractive.	1	2	3	4	5	6	7
3.	The bank maintains a high level of physical cleanliness inside its branches.	1	2	3	4	5	6	7
4.	The interior of the bank is spacious and can accommodate a large number of customers at the same time.	1	2	3	4	5	6	7
5.	The bank has visually appealing facilities and materials such as signs, symbols, advertisement boards and pamphlets.	1	2	3	4	5	6	7
6.	The bank has a sufficient number of ATMs per branch.	1	2	3	4	5	6	7
7.	The ATMs of the bank are conveniently located and accessible.	1	2	3	4	5	6	7
8.	The customers of the bank can do their financial transactions through the internet, even when they are abroad.	1	2	3	4	5	6	7
9.	The bank has a sufficient number of open tellers to serve customers.	1	2	3	4	5	6	7
10.	The bank has conveniently located car parking spaces for customers.	1	2	3	4	5	6	7
11.	The bank has enough car parking spaces for customers	1	2	3	4	5	6	7
12.	The bank has branch locations in most places convenient to all sections of the society, such as in villages and townships.	1	2	3	4	5	6	7
13.	The bank has ensured the physical safety of customers and their belongings while they are on the bank's premises.	1	2	3	4	5	6	7
14.	The bank's employees have a neat and professional appearance.	1	2	3	4	5	6	7

	Please indicate the perceptions of the banking service that you mainly use for your financial services.	Strongly Disagree						Strongly agree
15.	The bank's employees give caring and individual attention to customers.	1	2	3	4	5	6	7
16.	The bank's employees have best interest customers at heart.	1	2	3	4	5	6	7
17.	The bank's employees understand the specific needs of their customers.	1	2	3	4	5	6	7
18.	The bank's employees have the knowledge and competence to answer customers' specific queries and requests.	1	2	3	4	5	6	7
19.	The bank's employees make customers feel safe and secure in their transactions.	1	2	3	4	5	6	7
20.	The bank's employees serve customers politely and in a good manner.	1	2	3	4	5	6	7
21.	The bank's employees are always willing and ready to help customers.	1	2	3	4	5	6	7
22.	The bank's employees always give accurate services to customers.	1	2	3	4	5	6	7
23.	The bank's employees answer customers' complaints politely and in a friendly manner.	1	2	3	4	5	6	7
24.	The bank's employees always give quick responses to customers' requests and queries.	1	2	3	4	5	6	7
25.	The bank's employees meet deadlines on their customers' requests.	1	2	3	4	5	6	7
26.	The customers can easily get through to the person or information they need on the telephone.	1	2	3	4	5	6	7
27.	The customers of the bank are not delayed due to long and bureaucratic procedures.	1	2	3	4	5	6	7
28.	The customers of the bank do not stand for a long time in the queue to wait for the service.	1	2	3	4	5	6	7
29.	The bank has convenient working hours for its customers.	1	2	3	4	5	6	7
30.	The bank closes on weekends and public holidays.	1	2	3	4	5	6	7
31.	The bank ensures confidentiality of its customers' financial transactions.	1	2	3	4	5	6	7
32.	The bank ensures financial security of its customers' financial transactions.	1	2	3	4	5	6	7
33.	The bank charges reasonable and competitive interest rates on loans.	1	2	3	4	5	6	7
34.	The bank charges reasonable and competitive interest rates on fixed deposits.	1	2	3	4	5	6	7
35.	The bank has reasonable and competitive commission charges on the financial transactions done by its customers.	1	2	3	4	5	6	7

	Please indicate the perceptions of the banking service that you mainly use for your financial services.	Strongly Disagree						Strongly agree
36.	The bank has a wide variety of services that it offers to its customers.	1	2	3	4	5	6	7
37.	The bank provides information to customers on a regular basis on new services.	1	2	3	4	5	6	7
38.	The bank collects information from customers through suggestion boxes to improve service standards.	1	2	3	4	5	6	7
39.	The bank consistently treats all customers equally.	1	2	3	4	5	6	7
40.	The bank provides services to its customers as it advertises	1	2	3	4	5	6	7

C.	PERSONAL VALUES General statements describing you as a person.	Very Inaccurate						Very accurate
1.	I am always prepared	1	2	3	4	5	6	7
2.	I make a mess of things	1	2	3	4	5	6	7
3.	I worry about things	1	2	3	4	5	6	7
4.	I change my mood a lot	1	2	3	4	5	6	7
5.	I am interested in people.	1	2	3	4	5	6	7
6.	I sympathise with others.	1	2	3	4	5	6	7
7.	I start conversations	1	2	3	4	5	6	7
8.	I don't talk a lot.	1	2	3	4	5	6	7

D.	**PERSONAL CULTURAL ORIENTATIONS** **Please indicate whether you agree or disagree with the statements below regarding how you see yourself.**	Strongly Disagree						Strongly agree
1.	I am proud of my culture.	1	2	3	4	5	6	7
2.	Respect for tradition is important for me.	1	2	3	4	5	6	7
3.	I value a strong link to my past.	1	2	3	4	5	6	7
4.	Traditional values are important to me.	1	2	3	4	5	6	7
5.	I believe in planning for the long term.	1	2	3	4	5	6	7
6.	I work hard for success in the future.	1	2	3	4	5	6	7
7.	I am willing to give up today's fun for success in the future.	1	2	3	4	5	6	7
8.	I do not give up easily even if I do not succeed on my first attempt.	1	2	3	4	5	6	7
9.	The well-being of my group members is important to me	1	2	3	4	5	6	7
10.	I feel good when I cooperate with my group members.	1	2	3	4	5	6	7
11.	It is my duty to take care of my family members, whatever it takes.	1	2	3	4	5	6	7
12.	Family members should stick together, even if they do not agree	1	2	3	4	5	6	7
13.	I am more interested in buying new products compared to known products.	1	2	3	4	5	6	7
14.	I like to buy new and different products.	1	2	3	4	5	6	7
15.	I am usually among the first to try new products.	1	2	3	4	5	6	7
16.	I know more than others about the latest new products	1	2	3	4	5	6	7

E.	**CORPORATE REPUTATION** **General statements describing bank's reputation.**	Strongly Disagree						Strongly agree
1.	My bank always outperforms its competitors	1	2	3	4	5	6	7
2.	My bank recognizes and takes advantage of the market opportunities	1	2	3	4	5	6	7
3.	My bank has strong prospects for the future growth	1	2	3	4	5	6	7
4.	My bank is a strong and reliable company	1	2	3	4	5	6	7
5.	My bank usually develops innovative services	1	2	3	4	5	6	7
6.	My bank is environmentally responsible	1	2	3	4	5	6	7
7.	My bank would reduce its profits to ensure a clean environment	1	2	3	4	5	6	7
8.	I have developed good relationship with my bank	1	2	3	4	5	6	7
9.	I always have great confidence with my bank	1	2	3	4	5	6	7
10.	I always depend on my bank to do the right thing	1	2	3	4	5	6	7

F:	**Overall Customer satisfaction**	Not good at all.						Very good.
1.	The quality of the bank's services is:	1	2	3	4	5	6	7
	Overall Customer satisfaction	Completely dissatisfied						Completely satisfied
2.	My feelings toward this bank can best be described as:	1	2	3	4	5	6	7
	Overall Customer satisfaction	Never						Frequently
3.	In the next year, I will use this bank;	1	2	3	4	5	6	7

Thank you very much for your time and for participating in this survey!

ADDENDUM A
Data collection instrument

ADDENDUM B:
INVITATION TO PARTICIPATE IN SURVEY

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Informed consent for participation in an academic research study

Deptartment of Marketing Management

CULTURAL ORIENTATIONS, SERVICE PERFORMANCE AND CUSTOMER SATISFACTION AS ANTECEDENTS OF CORPORATE REPUTATION

Research conducted by:

Mr. G.S. Fasha (10033085)

Cell: 076 211 6412

Dear Respondent

You are invited to participate in an academic research study conducted by George Sinesius Fasha, a Doctoral student from the Department Marketing Management at the University of Pretoria. The purpose of the study is to examine cultural orientations, service performance and customer satisfaction as antecedents of corporate reputation in Tanzania, so that the findings may encourage the banks both to come up with the business initiatives to improve in those areas in which they seem to be weak as well as sustaining their strong areas in the interest of continuous survival.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 20 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my supervisor, Dr. Arien Strasheim, cell: +27124203145, email: Arien.Strasheim@up.ac.za, if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Respondent's signature **Date**