



## **BANKING SERVICES QUALITY ON THE PERFORMANCE OF COMMERCIAL BANKS.**

### **EFFECT OF BANKING SERVICES QUALITY ON THE PERFORMANCE OF COMMERCIAL BANKS IN RWANDA. A CASE OF BANK OF KIGALI MAIN BRANCH (2017-2019)**

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#### **Abstract**

The study was entitled “Effect of bank service quality on the performance of commercial banks in Rwanda. It was guided by five research objectives namely: To assess the impact of tangibility on the performance of the Bank of Kigali, to assess the impact of reliability on the performance of the Bank of Kigali, to examine the impact of responsiveness on the performance of the Bank of Kigali, to assess the impact of assurance on the performance of the Bank of Kigali and to determine the moderating influence of the economic environment and competition on commercial bank performance.

The study population consisted of 74 bank of Kigali employees, with 50 purposively chosen as a sample size. Primary and secondary data were collected using questionnaires and interviews, as well as a documentary review. The analysis was performed using SPSS. Percentages and frequency tables were used to present the data. The findings concluded that tangibility significantly affected performance of the bank (mean=4.173) hence banks should always prioritise modern equipment and technology, atmosphere, number of open tellers and waiting time at the counter. The findings further concluded that reliability, responsiveness, assurance and moderating influence all had positive and significant effect on performance of bank of Kigali. The study recommends

that commercial banks should embrace assurance, responsiveness and tangibility.

**Key words:** Banking services, quality, Performance, commercial banks, assurance, Profitability

### **Introduction**

The first service profit chain model was proposed by Heskett *et al.* (1994), in which it is argued that revenue is influenced by perceived service, which is in turn affected by operational inputs and employee effort. Zahra and Edris (2016) in their study on bank operating in Iran concluded that financial performance was positively correlated with the quality of services provided by the studied bank. This was a consequence of improved service quality and increased bank profitability. Customer loyalty and satisfaction have significant indirect financial impacts on the performance of the bank because they affect customer loyalty and satisfaction. (Ahmad, and Safwan, 2011). Mohmoodi and Asetmal (2014) concluded that electronic service quality has a positive impact on profitability. In addition to improving customer satisfaction, the rise of e-service quality can attract potential customers, earn revenue from these channels effectively, and improve financial performance. Banks can increase profitability by improving service quality (Hari & Bhavani 2016). Study conducted on the impact of adopting electronic banking on banks performance in Nigeria found that the adoption of electronic banking dramatically improved Nigerian banks' returns on equity.

Zeithmal, and Pandit (2013) sought to understand the relationship between service and profits and found strong evidence to support the relationship. Their study emphasized the importance of identifying the service quality dimensions that influence organizations profitability. Doing so will help organizations understand the aspects of service quality to change to influence the relationship with profits enabling them determine how to invest resources. The constant question is how to ascertain whether service quality improvements will be a good investment as well as where to invest financial resources to achieve the highest return and optimal organizational performance. As organizations are keen to achieve maximum return on investment, understanding the service

quality key value drivers and the relationship to profitability will enable them to make informed strategic choices from the available options.

### **Research Questions**

The study guided by the following research questions

What is the effect of tangibility on the performance of Bank of Kigali, What is the effect of reliability on the performance of Bank of Kigali, What is the effect of responsiveness on the performance of Bank of Kigali, What is the effect of assurance on the performance of the Bank of Kigali, How is the effect of the moderating influence of economic environment Competition on the performance of commercial banks?

### **Methodology**

A descriptive design was used for the purposes of this study. Descriptive By observing existing phenomena and then searching back through available data to try to identify plausible relationships, research design research suggests linkages between variables (Mugenda, 2013). A mixed approach was used to fully examine the variables under study in order to achieve the study's objectives.

For its conclusive nature, quantitative methods were used to quantify the problem and understand how it can be projected for a larger population.

The qualitative method was used to conduct the study because the study included non-numerical variables (respondents' opinions and views on the variables), and these methods were able to process and analyze the findings in a cross-section of the study.

### **Study population**

Ary, (2012) defines a "population" as "all the subjects you want to study."

In this study, the total population was 74 employees from the Bank of Kigali main branch who work in various services.

### **Sampling technique**

A sampling technique is the name or other identification of the specific process by which the sample's entities were chosen (Waksberg, 2008). Purposive simple sampling was used to obtain sample size. The potential respondents for this study totaled 50 from the Bank of Kigali Headquarter,

drawn from executive management, senior management, the credit department, finance, and accountants.

### **Findings**

The study made a comprehensive explanation of bank of Kigali financial performance analysis by calculating Ratio in years of the study and showed the performance changes of Bank of Kigali in general and bank service quality included.

The study showed that among other things, tangibility, responsiveness, reliability, and assurance were strong significant determinants of the performance of the BK main branch's commercial bank. Those reached by Gutu (2017), who stated that the availability of high-quality bank services has a significant impact on the profitability of commercial banks.

The study discovered that there are positive relationships between bank service qualities and commercial bank performance in Rwanda. Based on these findings, the study concluded that the quality of banks' services has an impact on the performance of commercial banks in Rwanda.

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