

# An Analysis of Customer Satisfaction Level in Banking Sector of Afghanistan

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**Abstract:** *The quality of customer service and customer satisfaction is emerging as one of the most relevant and significant factors within service providing organizations and financial institutes like banks. The element that most tends to differentiate some entities from others is the quality of service provided to the client and the level of effectiveness of the solutions that are offered. In this research paper, quantitative research method was used where SPSS was applied to questionnaire filled by the customers of Azizi Bank. The goal was to analyze the relationship between service quality and customer satisfaction and customer loyalty. The result of the study suggests that the level of customer satisfaction in the banking sector of Afghanistan is slightly low and the major reason behind the fact is that the country has poor IT infrastructure and the relevant facilities like the modern nations.*

**Keywords:** Azizi Bank, Customer Satisfaction, Customer Loyalty, Service Quality.

## 1. Introduction

### Background of Study

The quality of customer service and customer satisfaction is emerging as one of the most relevant and significant factors within service providing organizations and financial institutes like banks. These institutes stimulate economic growth and play a crucial role in the development of society and the efficient distribution of financial resources. Banks seek effective strategies, efficient and capable of fueling higher profit and further reduction of costs, but above all, to achieve a firm position in the minds of their clients. One of these strategies is par excellence, the focus on service quality and enhancing customer satisfaction. Such elements have today reached very high levels of development and technology similar from one entity to another.

The banking sector in Afghanistan has several peculiar characteristics. First of all, the offer of all banks is essentially the same: they all offer similar mechanisms to collect money and lend it: accounts, checking accounts, savings accounts, time deposits, loans, credit cards etc. In short, they all capture and offer money (Aliyu, 2019). As the type and number of clients have increased, quality aspects related to the service provided by banks have been becoming more

The primary focus of this research is to explore customer satisfaction in the banking sector of Afghanistan, specifically, the Azizi Bank. The Bank has made significant investments in physical infrastructure and technology in order to provide a welcoming environment and cutting-edge services to potential clients. The bank now has 57 branches across Afghanistan, making it a leader in the growth of the country's financial culture. Economic growth is very vital aspect of the countries (Ugurlu, 2009, Ugurlu, 2010). We currently have 57 branches across the country, with 24 in Kabul and 33 in the provinces. We also have permits for 11 more branches, which will open in the near future. We applied to DAB for a license for further 20 branches.

### Statement of the Problem

Companies and financial institutions including banks are required to show conclusive and relevant strategies to improve customer satisfaction to improve customer loyalty and thus capture a bigger share in the market and open new doors of opportunities. That is why, by providing them with the best service and satisfying their needs, companies and organizations will be able to have faithful clients, and likewise attract new ones. One of the main problems encountered in relation to the customer satisfaction in the banking sector of the under-developed countries like Afghanistan is that the banks are not recognizing what the customers want, the low quality of the service, the little commitment and training of human talent, and minimal research on the customer behavior. These predicaments represent some of the main issues of customer service. The audit of the service must focus on the fulfilment of the goals of marketing.

The study aims to target the significance of customer satisfaction level in increasing customer loyalty in the banking industry specifically the Azizi bank. The study will highlight the numerous factors affecting the satisfaction level of the customers. This research also seeks to highlight the connection between customer satisfaction and customer loyalty. Moreover, some recommendations will be provided at the end, for inducing improvements in the banking sector for increasing customer satisfaction levels.

### Research Questions

What are the primary attributes of service quality influencing customer satisfaction in the banking sector of Afghanistan?



### Hypothesis

- H1. Service quality has a positive relationship with customer satisfaction.  
 H2 Service quality has a positive relationship with customer loyalty.  
 H3 Tangibility has an impact on customer satisfaction.  
 H4 Tangibility has an impact on customer loyalty.  
 H5 Customer satisfaction is affected by reliability  
 H6 Customer loyalty is affected by reliability.  
 H7 Customer satisfaction is affected by responsiveness.  
 H8 Customer loyalty is affected by responsiveness  
 H9 Customer Satisfaction is affected by Assurance  
 H10 Customer loyalty is affected by Assurance  
 H11 Customer loyalty is affected by customer satisfaction

### Overview of Methodology:

Quantitative research is inspired by positivism. This investigative approach raises the unity of science, that is, the use of a single methodology that is the exact and natural sciences. Descriptive and quantitative approach has been used in this research thesis as it has been justified over other measures and methodologies.

### Limitation

One area of constraint in carrying out this research would be the difficulty of circulating the research instrument among all students due to differences in human behaviours in the worldwide. The study will be using secondary data as well as primary data for collecting pieces of evidence to support its hypothesis. The major limitations regarding the use of secondary data in this context include issues like data reliability and data accuracy. In the same manner, the major issues regarding empirical data include poor data analysis and lack of effective data collected by the researchers. Such issues can have a negative impact on the research design, philosophy, data collection, data analysis, and the result of the thesis.

## 2. Theoretical Framework and Literature Review

Psychology is one of the sciences that has been most devoted to the problem of satisfaction. Multiple theories, empirical representations and methodological approaches have confirmed, since the end of the 19th century and the beginning of the 20th, the importance of the satisfaction-dissatisfaction dialectic in understanding human behavior. This dialectic has become the core of all psychological

understandings of behavioral dynamics (Bratianu, 2018). If there is any doubt about this fact, to dispel it, it would suffice to recall the names of Freud, James and Winsbagger, then Rogers and Maslow and, more recently, the theory of intellectual emotions, or neurolinguistic programming.

The behavioral theory of customer loyalty (Cunningham, 1956; Jeuland, 1979; Delgado, 2004), is based on the instrumental conditioning of reinforcement based on the traditional purchasing decision scheme. It suggests that when someone buys a good brand, based on the stimuli of their own experience or by the influence of reference groups, is reinforced and increases the probability of buying it again because the subject has learned to systematically associate a given response (stimulus-response perspective).

Service Quality was already visualized some years ago as an essential element to achieving consumer satisfaction, due to this situation, in the mid-1950s in the 20th century, several experts on the subject matter dealt with in this manuscript issued theories and points of view regarding what quality implies and how it can be achieved.

The economic change and the highly competitive nature of the market especially after Covid-19 has made very difficult for the businesses and companies to retain their customers and revenue. Customers are seen to be swiftly changing brands and when dissatisfied quickly adopt alternatives and look for other businesses to cater their needs (Kurdi, Alshurideh, & Alnaser, 2020). The customer satisfaction has become one of the biggest attribute of any business and the dissatisfaction associated with the customers poses biggest risk for every kind of business in every market.

Azizi Bank is an Afghan commercial bank that was established in accordance with the Central Bank of Afghanistan's licensing policy. The bank received its license on June 13, 2006, and began operations on the same day. Mr. Mirwais Azizi (of the Azizi Hotak Group) and Haji Ali Akbar Zhawandai have promoted Azizi Bank, which is a result of Afghan vision and enterprise.

The promoters are committed to establishing a sound financial institution, and in order to provide the highest level of security to the bank's customers, they established the bank with an initial paid-up capital of USD 7.5 million, which was 150 percent of the central bank's minimum requirement of USD 5 million. As of December 31, 2009, the capital was USD 42.5 million (Bhattacharya & Gul).

The Bank's management staff is a good combination of youth and experience. With the help of a youthful and well-trained operating team, the company aims to alter the banking scene in the country by providing consumers with a really professional and delightful experience. The bank now employs over 1000 people and has a 20% female workforce, allowing it to play a discreet but effective role in women's emancipation and empowerment (Adil Rasool, Siddiq, & Ullah).

### 3. Research Methodology and Data Analysis

Descriptive and quantitative approach has been used in this research thesis as it has been justified over other measures and methodologies.

Targeted population in a research is the group of individuals acquired for the purpose of getting data with a goal of replication of the whole research on a larger scale. In this research, population is the customers of Azizi Bank and they quantify as 220 individuals. Online questionnaire has been sent to the customers. Non-probability convenience sampling will be used in this quantitative research as it will help us validate the results of our hypothesis.

#### Data Collection Process

The data collection process is applied to get the results of given hypothesis by using analysis through SPSS or any other software.

### 4. stluseR

#### Descriptive Statistics of the study variables

Scale	N	M	SD	Range	
				Minimum	Maximum
Service quality	400	40.66	6.794	24	82
Tangibility	400	12.77	4.124	6	61
Reliability	400	13.04	3.523	5	23
Responsiveness	400	7.46	2.570	3	14
Assurance	400	7.38	2.726	3	15
Customer Loyalty	400	7.80	4.092	3	55
Customer satisfaction	400	15.36	3.878	7	28

Note, M=Mean, SD=Standard Deviation

#### Correlation coefficient between Service quality and customer satisfaction

Variables	1	2
Service Quality	-	
Customer satisfaction	.311**	-

\*\*p<0.01, \*p<0.05

#### Regression coefficients of Tangibility and Customer loyalty

Variable	β	SE	t	p
Constant	6.446	.436	14.795	.000***
Tangibility	.098	.032	3.029	.000***
R <sup>2</sup> =.023; F=9.175; P<.001				
a. *P< 0.05; **P< 0.01 ***P<.001				
b. Dependent Variable: Customer loyalty				
c. Independent Variable: Tangibility				

Note N=400

\*\*\*P<.001

#### Regression coefficients of Customer loyalty and customer satisfaction

Variable	β	SE	t	p
Constant	-.329	.366	-.901	.000***
Customer satisfaction	.523	.023	22.659	.000***
R <sup>2</sup> =.751; F=513.416; P<.001				
a. *P< 0.05; **P< 0.01 ***P<.001				
b. Dependent Variable: Customer loyalty				
c. Independent Variable: Customer satisfaction				

Above Table shows the impact of customer satisfaction on customer loyalty. Linear regression analysis was applied to predict the value of dependent variable (Customer loyalty) based on the value of independent variable (customer satisfaction). The R<sup>2</sup> value of .75 revealed that the predicted variable explained 75% variance in the outcome variable with F (1, 339) = 51.416, P<.001. The findings revealed that customer satisfaction positively predicted customer loyalty (β=.75, P<.001).

### 5. Conclusion

To conclude, Customer service and satisfaction are quickly becoming one of the most important and essential criteria in service firms and financial institutions such as banks. These institutions promote economic progress and play an important role in societal improvement and the effective allocation of monetary assets. Banks want effective methods that are competent and reliable of fueling larger profits and additional cost reductions, but most importantly, they strive to establish a strong position in the eyes of their clientele. One of these methods is par excellence, which focuses on improving service quality and client happiness. Such elements have currently attained very high degrees of development and technology that are comparable from one entity to the next.

The result of the study suggests that the level of customer satisfaction in the banking sector of Afghanistan is slightly low and the major reason behind the fact is that the country has poor IT infrastructure and the relevant facilities like the modern nations. Moreover, the management of the banks and the staff members need to play their vital role in making banks successful. They could do so by improving their managerial strategies and having robust hold over the functions so that the customers are satisfied with their services.

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