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# SERVICE PERFORMANCE AND CUSTOMER SATISFACTION AS ANTECEDENTS OF CORPORATE REPUTATION: A COMPARATIVE ANALYSIS BETWEEN LOCAL AND FOREIGN BANKS IN TANZANIA

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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. This study compared service performance and customer satisfaction as antecedents of corporate reputation between foreign and local banks in Tanzania. The study had a sample size of 380 respondents who were the customers of these banks. The structural equation modelling was carried out so as to examine the interrelationships of the constructs and how the findings can be inferred on the entire population. Chi-square statistical values, Incremental Fit Index, the Tucker-Lewis Fit Index, the Comparative Fit Index, the Parsimony Normed Fit Index and the Root Mean Square Error Approximation were applied to examine the models' fit. While the mean values were applied to compare customers' perceptions of service performance, customer satisfaction and corporate reputation between local and foreign banks.*
*The main findings from the study indicate that, service performance levels were perceived relatively positively; customer satisfaction on corporate reputation was slightly stronger for the foreign banks than the local banks and there are very strong positive relationships between service performance and customer satisfaction in the Tanzanian banking industry. The study recommends that managers of the banks need to understand that customers' perceptions on the banks' service performance have a significant influence on the perceived banks' reputation.*

**Keywords:** *Service Performance, Customer satisfaction, Corporate Reputation*

## INTRODUCTION

### Background Information

In Tanzania, formal banking started during the colonial era. In 1967, following the Arusha declaration, which was Tanzania's version of the communist manifesto, all foreign banks were nationalised in line with an economic reform strategy. 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 bank monopoly to achieve the above expectations 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 monopolisation of the banking sector, the government had no choice other than to encourage foreign investors to venture into the sector. The newly liberalised banking sector spawned stiff competition among the financial intermediaries operating in Tanzania. These changes brought opportunities, but also threats; these forcibly

compelled the banks to formulate strategies which would place them at a competitive advantage and achieve shareholder wealth maximisation (Bank of Tanzania, 1996; Nyagetela and Tarimo, 1997; Rutihinda, 1992b).
The emergence of foreign direct investment in the country, and specifically in the banking sector, placed enormous pressure on the different Tanzanian local commercial banks, which were threatened by rivals in an environment of competition (Bank of Tanzania, 1996; Daudi and Sonny, 2002; Nyagetela and Tarimo, 1997; Rutihinda, 1992b).
Studies indicate that there is a close link between service performance and customer satisfaction with the overall firms' perceived reputation. This is due to the fact that, perceived firms' reputation plays a fundamental role in examining level of the expected service standards that leads to customer satisfaction which seems to be difficult to be physically assessed by the buyers (Bromly, 2001; Hardaker and Fill, 2005).

With that being the case, in this particular study, the conceptual framework was developed that included service performance, customer satisfaction and perceived corporate reputation. Therefore, this particular study was geared towards developing an appropriate conceptual framework that would include service performance, customer satisfaction and perceived corporate reputation. Based on the theoretical exposition, a structural relationship that exists between the three research constructs were substantiated through structural equation modelling. The responses gathered from both types of customers which comprise of the local and foreign banks' customers were used to establish the structural relationships of the research constructs. This article concludes with the managerial implications of the study and propositions for the areas of further study.

## LITERATURE REVIEW

In this particular study, an expanded service delivery model which comprised of service quality, service innovation and cash distribution was reviewed.

### Service Performance

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

With an increasing competitive pressure in the banking business marketplace, current research focus has been devoted to factors contributing to favourable customer outcomes. This comes with the fact that the service personnel who are responsible to deliver services to customers have a significant role to play to ensure that a business organisation meets or exceeds customers' expectations and hence guaranteeing its continuous survival (Hui & Aichia, 2004). And that is why, now in the Tanzanian banking industry, both the local and the foreign banks have been putting customer service management as their crucial business strategy that would guarantee the maintenance of the available customers while attracting new customers at the same time and hence expanding the banks' market share.

Therefore, improving customer perceptions of service performance has 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 eventually a chain of events starts to unfold that eventually increases the profits generated by the service firms (Kamakura, Mittal, de Rosa & Mazzon, 2002). Moreover, there are theoretical evidence that have linked customer perceptions of service delivered directly to significant customer loyalty outcomes such as support intention, increased repeat purchases, and spreading positive 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. And therefore, the relationship between firms' service performance and customer loyalty as one aspect of corporate reputation are of vital importance in justifying firms' financial investments in overall service improvement. Like in Tanzania, both the local and the foreign banks have been struggling to make sure that customers' expectations on the banks' service delivery are attained so that satisfied customers may act as ambassadors to other potential customers.

### Service Innovation

Two measurement dimensions can be applied to give a description of service innovation that creates uniqueness of various business industries and these are; the service standards that the customers should expect to get and the extent of service inseparability. Based on the first measurement dimension, service innovation is seen as a means that can be used by service firms to be able to create their unique service offerings that turn out to be core firms' offerings which at the end determine the survival of these firms. While the second measurement dimension tries to explain that the production and consumption of services tend to be simultaneously. However, this concept nowadays tends to be irrelevant due to technological advancements as services can be produced and consumed at different times (Berry, Shankar, Parish, Cadwallader & Dotzel, 2006). Therefore, due to the fact that banks' services are produced and consumed simultaneously, Tanzanian commercial banks have been putting an emphasis on their employees to understand that favourable post-purchase experiences after a service encounter between the employee and a customer plays a significant role in determining future customers' attitudes.

According to Jun and Cai (2001) banks' charges that are put on the banks' services such as on the loans given or on the fixed deposits that the customers are forced to pay play a fundamental role in meeting customer satisfaction. This is due to the fact that, when banks tend to charge extremely high prices on their service offerings, then often customers refute by getting second thoughts of thinking that these particular banks are not there to serve them. Therefore, when putting prices on the services, bank managers should be able to justify the fact that, when a customer comes and purchases a particular bank's services, then this customer will be able to get value for the money paid. For instance, in Tanzania, as price has been used by the banks as the most important business strategy, then the banks have been trying to make sure that their charges on the banks' loans are as low as possible so as to be able to attract as many customers as possible while at the same time retaining the existing ones.

**Cash Distribution**

In order to be able to obtain a true reflection of the Tanzanian banking industry where this study was conducted, two dimensions namely service innovations and cash distribution were developed from the literature and added to the 22-core service quality dimension. According to Jun and Cai (2001), improved cash distribution abilities and continuously innovating new services are often aimed at meeting or exceeding customers' expectations that would ultimately result to their satisfaction. Cash distribution dimension is comprised of the number and convenience of the ATMs per branch that could be used as a means of strengthening bank's distribution network, while service innovation dimension includes things like banks' service access, banks' physical access and overall banks' service innovativeness.

For example, according to Moguluwa and Ode (2013), technological advancements of banks that could involve the overall use of the ATMs, both telephone and internet services in providing services to the customers play a fundament role in meeting customers' expectations. This is possible because, these technologies put in place convenience to the customers which is one of the very important determining factors of customer satisfaction; improve speed of the whole process of service delivery and hence making it possible for the customers to benefit by saving time in their daily activities; as well as eliminating long queues and bureaucracy in providing these services to the customers. Queuing is a harsh reality of the banking experience in Tanzania. Customers have been switching from banks with very long queues to the banks which seem to have short or no queues at all. Therefore, in order to go away from these long queues and ensure their competitive position in the industry, these banks have been trying to improve their technology, as well as opening up as many branches as possible so as to enhance their channel of service distributions and therefore making customers have options in terms of the banks' sales outlets that they can access.

Moreover, these technological advancements have come with a number of advantages to current competitive business environments which make it possible for the firms operating in these environments to deliver satisfactory services to the customers (Patricio, Fisk & Cunha, 2003).

According to Patricio et al., (2003) the availability of service distribution channels largely influences customer satisfaction as customers tend to select a channel which seems to be convenient and easily accessed. And therefore, due to that, automated teller machines also meet customers' expectations and hence their satisfaction as these also acts a means of channels of service distribution to the customers. For instance, in Tanzania, the availability of funds has been made possible by the banks by having these automated teller machines. According to Moguluwa and Ode (2013), there is a close link between customer satisfaction and the convenience, location as well as accessibility of automated teller machines.

The relationship between Customer Satisfaction and Corporate Reputation
Based on the post purchase customer experiences after receiving a particular service from a business firm, past authors have managed to establish a theoretical background that the firms' reputation is closely linked to meeting customers' expectations and hence ensuring their satisfaction (Davis, Chun, Da Silver & Roper, 2002; Walsh, Dinnie & Wiedmann, 2006), enhancement of customers' loyalty (Fombrun & Van Riel, 1997), earned trust (Doney & Cannon, 1997) and finally, spreading a favourable word of mouth (Groenland, 2002).
According to Nguyen and Leblanc (2001), the firms' reputation, if well enhanced can act as a determining factor of favourable post-purchase experiences generated in the process of service delivery that would result in meeting or exceeding customers' expectations. This is because a favourable corporate reputation establishes business competitive advantage against competitors that becomes difficult to be imitated. And therefore, customers tend to think firms with enhanced positive reputation deliver quality services, a feeling which largely influences their satisfaction levels.

## RESEARCH METHODOLOGY

### Research design

A cross-sectional research design has been used to collect data from respondents. These respondents came from a large sample of customers who do their banking transactions; from both foreign and local banks in Tanzania. A sample size of 380 customers who have been using the banking services for the past six months were conveniently selected and interviewed and self-completion questionnaires were used.

### Measurement of variables

### Service Performance Dimensions

An expanded service delivery model which consisted of service quality, service innovation and cash distribution was applied. The service quality dimensions were largely based on the 22-core item scale, as adopted from the studies conducted by Parasuraman, Zeithaml and Berry, (1988). 18 measurement items from Service innovation and cash distribution as developed from the literature were added to the original 22 items in order to fully represent the reality of the banking industry in Tanzania.

In this particular study, service quality at the second order level was applied after seeing that there is a high inter-correlation of the variables at the first order level. Specifically, Tangibles, Assurance and Empathy as the first-order factors clearly that arise from the servqual approach (Parasuraman, Zeithaml and Berry, 1991) on the other hand Security, Innovativeness, Service access, Physical access and Cash distribution as proposed by Jun and Ca (2001) were developed from the literature so as to give a true reflection of the Tanzanian banking industry.
The 40-item scale was measured by using a seven-point Likert scale, ranging from 1 to 7, with a score of 1= strongly disagree through 7= strongly agree.

### Customer Satisfaction

Customer satisfaction was measured by using the level of service quality, overall customer satisfaction, and the frequency of the customers' projected future use of the bank's services. These variables were used so as to gain a final picture of the customers' feelings on service quality dimensions after receiving the services.

### Corporate Reputation

Corporate reputation was measured by using a customer-based reputation scale that was comprised of Trust, Reliable and Strong Financially company, Product and Service Quality, and lastly, Social and Environmental Responsibility (Walsh and Beatty,2007; Arnold and Reynolds, 2003). Product and service quality was later named as Market Offering for the purpose of this study so as not to confuse this dimension with the other service quality dimension.

### Data collection methods and instruments

A questionnaire tool was applied as a means in the data collection process that involved structured questionnaires. The data collection process involved personal interviews to guarantee high response rate from the respondents who were the customers, filling in self-administered questionnaires.

### Data processing and analysis

Chi-square statistical values were applied to examine the models' fit. The cut-off criteria for deciding whether model fitted the data required the models to have the value of the ratio of chi-square to the degrees of freedom less than 3 (Hu and Bentler, 1999).

In this particular study, the criteria for good fit based on these three fit indices which were the Incremental Fit Index, the Tucker-Lewis Fit Index and the Comparative Fit Index were the values which were higher than 0.9 above the recommended threshold (Hu and Bentler, 1999).
The cut-off point of the parsimony normed fit index as recommended by Niels (2008) was at 0.6. And lastly, with the Root Mean Square Error Approximation, values that are less than 0.05 are usually indicative of a good fit, between 0.05 and 0.08 usually indicate a reasonable fit and lastly, values that are above 0.08 indicate a mediocre fit and >0.10 indicate a poor fit (Diamantopolous and Siguaw, 2000).

DISCUSSATION OF THE RESULTS
From Figure 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.

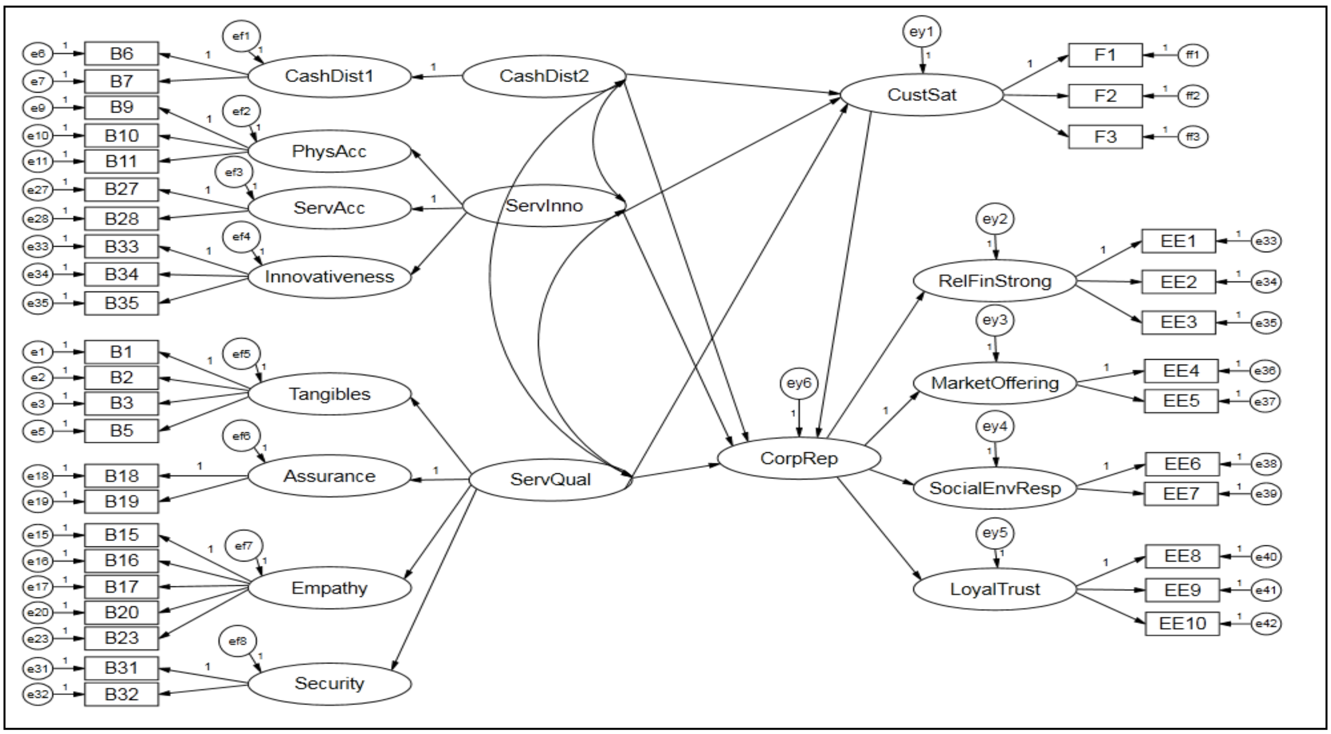



**Figure 1: Structural equation mediation model of the relationships between service performance, customer satisfaction and corporate reputation**

In a multi-group analysis, the model in Figure 1 was fitted simultaneously over local banks and foreign banks. The results of two models are presented, with the first model which does not include the path from customer satisfaction to corporate reputation, whilst the second model, which is a mediation model, includes this path coefficient. Furthermore, measurement invariance constraints (Steenkamp & Baumgartner, 1998) were placed on the measurement weights and the measurement intercepts, as well as the second-order weights and intercepts (Strasheim, 2011). The resulting fit measures are shown in Table 1.

**Table 1: Fit measures of the 1CFA model of SERVPERF, CS and CR**

| Model | NPAR | CMIN | DF | P | CMIN/DF |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Model with no mediation | 194 | 2538.4 | 1210 | 0.000 | 2.098 |
| Mediation model | 196 | 2508.6 | 1208 | 0.000 | 2.077 |

From Table 1, the values of the chi-square to the degrees of freedom of the model with no mediation and the model with mediation were 2.098 and 2.077. All these values were below the cut-off point of 3.0 and therefore showing that both the non-mediating and the mediating models fitted the data well. However, when the structural model was examined with customer satisfaction as a mediating latent variable between service performance and customer satisfaction, it had a better fit compared to the structural model with no mediating variable.

Table 2: Other fit measures of the 1CFA model of SERVPERF, CS and CR

| **Baseline Comparisons** | **IFI** | **TLI** | **CFI** | |
|---|---|---|---|---|
| Model with no mediation | 0.888 | 0.883 | 0.888 | |
| Mediation model | 0.891 | 0.885 | 0.890 | |
| **Parsimony-Adjusted Measures** | **PRATIO** | **PNFI** | **PCFI** | |
| Model with no mediation | 0.960 | 0.774 | 0.852 | |
| Mediation model | 0.959 | 0.775 | 0.853 | |
| **RMSEA** | **RMSEA** | **LO 90** | **HI 90** | **PCLOSE** |
| Model with no mediation | 0.050 | 0.047 | 0.052 | 0.615 |
| Mediation model | 0.049 | 0.046 | 0.052 | 0.721 |
| **AIC and ECVI** | **AIC** | **ECVI** | | |
| Model with no mediation | 2926.435 | 6.532 | | |
| Mediation model | 2900.590 | 6.475 | | |

From Table 2, the values of the Incremental Fit Index, the Tucker-Lewis Fit Index and the Comparative Fit Index of both structural intercepts with no mediation and the structural intercepts with mediation were marginally below the recommended cut-off point of 0.9. And therefore, these structural models at the first-order level suggested that the baseline comparisons model provided a reasonably good fit to the data. While, all the values of these two structural models of the Parsimony Adjusted Measures were above the standard cut-off point of 0.6 as recommended by Niels (2008).

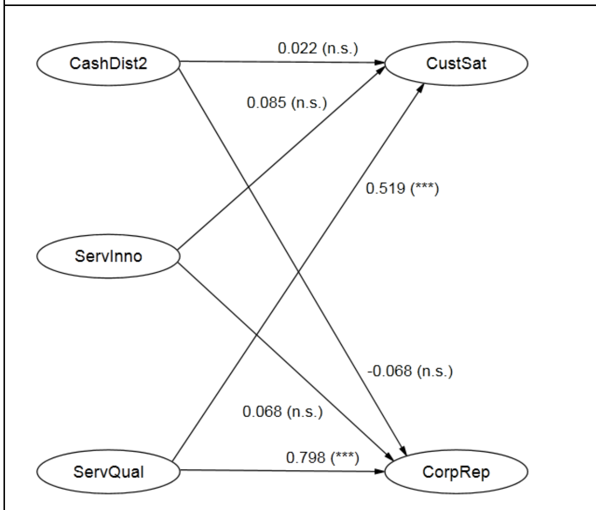
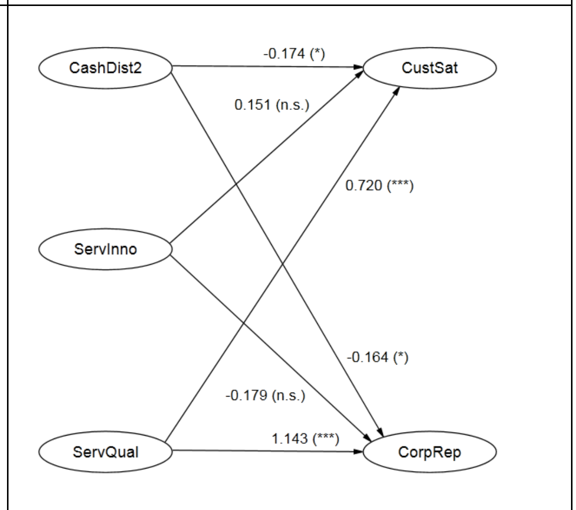
From the table, the value of RMSEA for the structural intercepts with no mediation was 0.05 suggesting that the model had acceptable fit, while from the structural intercepts with mediation, the value of the RMSEA was 0.049 also suggesting very good fit.

Since the model with mediation and a model with no mediation are considered as two competing non-nested structural models, and therefore to examine their plausibility, an assessment on the values of the Akaike Information Criterion (AIC) and Expected Cross-Validation Index (ECVI) was carried out as recommended by Raykov and Marcoulides (1999). AIC is the fit index that takes into account both the measure of fit and model complexity while ECVI represents a measure of degree to which a proposed model replicates in another sample under the same population group. Values of the structural weights under the structural model when customer satisfaction is a mediating latent variable were lower compared to the values when the structural model had no mediating latent variable. These values indicate that the structural model with customer satisfaction as a mediating variable between service performance and customer satisfaction seemed to have a better fit than the structural model with no mediating variable, since structural models with lower values of AIC and ECVI are preferred, even when the models are not nested and offer a better means of data description than models with higher ECVI and AIC values (Raykov & Marcoulides, 1999).

Figure 2 presents the estimated regression coefficient values of both mediated and non-mediated structural models.

Figure 2: Estimated regression coefficients of antecedent model and mediation models for both local and foreign banks
Local banks – no mediation Foreign banks – no mediation

Local banks – Mediating role of customer satisfaction Foreign banks – Mediating role of customer satisfaction

| Local banks – no mediation | Foreign banks – no mediation |
| --- | --- |
|  |  |
| Local banks – Mediating role of customer satisfaction | Foreign banks – Mediating role of customer satisfaction |





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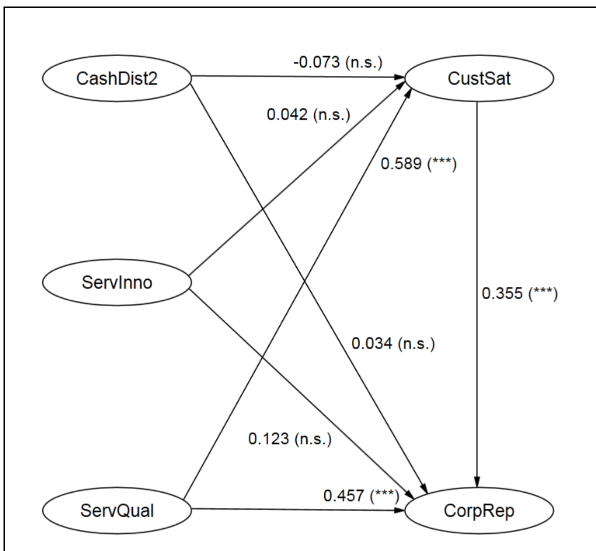
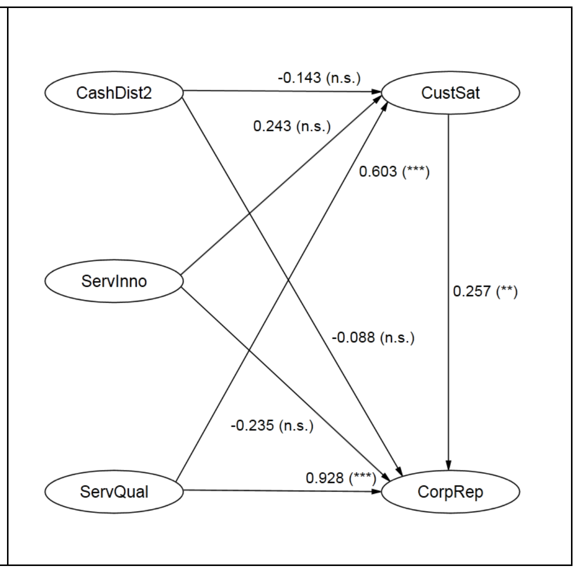
|  |  |





**Results of the non-mediation structural model:**

**H1: The effect of cash distribution on customer satisfaction**

From Figure 2, when the structural model with no mediation is examined for the local banks, the relationship between cash distribution and customer satisfaction is not significant (α=0.10) indicating that there seems to be no relationship between cash distribution and customer satisfaction for local banks. With the foreign banks, cash distribution and customer satisfaction were negatively related, leading to the rejection of H1.

**H2: The effect of cash distribution on corporate reputation**
The relationships between cash distribution and corporate reputation were both negative and not significant for local and slightly significant and negative (□=0.10) for foreign banks, suggesting that cash distribution does not seem to relate to corporate reputation, leading to the rejection of H2.

**H3: The effect of service innovation on customer satisfaction**
The relationship between service innovation and customer satisfaction was insignificant for the local banks, and although the coefficient was somewhat larger for the foreign banks, it remained insignificant, leading to the rejection of H3 based on α=0.10.

**H4: The effect of service innovation on corporate reputation**
For the model with no mediation, the relationship between service innovation and perceived corporate reputation was insignificant for both local and foreign banks, suggesting that service innovation was not related to corporate reputation. Based on and α=0.10 level of significance, H4 is rejected.

**H5: The effect of service quality on customer satisfaction**
For both local and foreign banks, service quality had a very significant (α=0.001) effect on customer satisfaction, and the sizes of the coefficients suggest that the relationship is stronger for the foreign banks than for local banks since the coefficient values were 0.720 for foreign banks compared to 0.519 for local banks and hypothesis H5 was therefore tenable.

**H6: The effect of service quality on corporate reputation**
When the relationship between service quality and corporate reputation is examined, the relationship is highly significant (□=0.001) for both local and foreign banks. As in the preceding hypothesis, the relationship for the foreign banks is stronger than that of the local banks as these values were 0.798 for local banks and 1.143 for foreign banks respectively.

**The results of the model where customer satisfaction plays a mediating role:**
MH1: The effect of cash distribution on customer satisfaction
The mediated model was not significant across the two groups of banks, leading to the rejection of MH1 for both local and foreign banks.

**MH2: The effect of cash distribution on corporate reputation**
The relationships between cash distribution and corporate reputation for both the local and foreign banks were insignificant at α=0.10 leading to the rejection of MH2.

**MH3: The effect of service innovation on customer satisfaction**
The output suggests that service innovation had no effect on customer satisfaction across the two groups of banks as the coefficient values were insignificant leading to the rejection of MH3.

**MH4: The effect of service innovation on corporate reputation**
The relationship between service innovation and corporate reputation for the local banks, when the structural model was mediated became stronger than when the model had no mediating variable as the coefficient value changed from 0.068, being marginally insignificant to 0.123 which was still insignificant, while with the foreign banks, this relationship still remained negative and not significant, leading to the rejection of MH4.

**MH5: The effect of service quality on customer satisfaction**

The relationship between service quality and customer satisfaction were highly significant for both local banks (0.589) and foreign banks (0.603). The relative sizes of these coefficients are very similar for local and foreign banks.

**MH6: The effect of service quality on corporate reputation**

The mediation path as depicted in Figure 2 (on the right) made the value of the coefficient between service quality and corporate reputation for local banks changed from 0.798 to 0.457 with both these values highly significant (□=0.001), while for the foreign banks this value changed from 1.143 to 0.928 with both these values highly significant (□=0.001), suggesting that corporate reputation is both indirectly affected by service quality through service quality, as well as directly. These findings suggest that customer satisfaction mediates the relationship between customer satisfaction and corporate reputation.

**MH7: The effect of customer satisfaction on corporate reputation**

Finally, the mediated structural model suggests that customer satisfaction has a positive relationship with corporate reputation. The results obtained found a highly significant (□=0.001) positive relationship between customer satisfaction and corporate reputation across the two groups of banks. The coefficient value was 0.355 for the local banks versus 0.257 for the foreign banks. This result suggests that customer satisfaction has a slightly stronger effect on corporate reputation for the local banks compared to the foreign banks.

Table 3 depicts the values of the regression weights when the structural equation model had no mediating variable while Table 4 shows the outputs when the structural model had customer satisfaction as a mediating variable. Examining the mediated structural model was of vital importance in this particular study due to the fact that, in measuring the psychometric properties of the research constructs, the sum of the effects of a particular variable under study on another variable is usually considered to be the sum of its direct and indirect effects (Holbert & Stephenson, 2003). If a variable's indirect effect on another variable does not receive proper attention, then the relationship that exists between the variables under examination may not be fully explored (Raykov & Marcoulides, 2000).

In this particular study, it is suggested that customer satisfaction plays a mediating role in the link between service quality and corporate reputation. This was relevant to be investigated due to the fact that, in the previous studies, service quality has been seen to be an important input to customer satisfaction (Ravichandran, Mani, Kumar & Prabhakaran, 2010), while according to (Henning-Thurau, Gwinner & Gremler, 2002), there is a significant a relationship between customer satisfaction and corporate reputation.

Table 3 summarises the results of the structural relationships shown and reported in Figure 2.

**Table 3: Maximum likelihood parameter estimates of the no mediation model of service performance, customer satisfaction and corporate reputation**

| **Items and latent variables** | | | **Regression weights** | | | | **Intercepts** | |
|---|---|---|---|---|---|---|---|---|
| | | | **Local** | | **Foreign** | | **Local** | **Foreign** |
| | | | **Estimate** | **P** | **Estimate** | **P** | **Estimate** | **P** |
| CorpRep | <--- | CashDist2 | -0.068 | 0.279 | -0.164 | 0.040 | 1.092 | 0.912 |
| CorpRep | <--- | ServInno | 0.068 | 0.663 | -0.179 | 0.237 | | |
| CorpRep | <--- | ServQual | 0.798 | *** | 1.143 | *** | | |
| CustSat | <--- | CashDist2 | 0.022 | 0.748 | -0.174 | 0.047 | | |
| CustSat | <--- | ServInno | 0.085 | 0.620 | 0.151 | 0.342 | | |
| CustSat | <--- | ServQual | 0.519 | *** | 0.720 | *** | 2.198 | 1.817 |

In table 4 the mediation model of SERVPERF, CS and CR is presented as well as the values of the regression weights of the parameter estimates of this structural model.
Coefficient values between corporate reputation and customer satisfaction, corporate reputation and service quality, and customer satisfaction and service quality were highly significant at α=0.001 level of significance, which suggests that strong relationships were found between these constructs across the two groups of banks.

**Table 4: Maximum likelihood parameter estimates of the mediation model of service performance, customer satisfaction and corporate reputation**

| Items and latent variables | | | Regression weights | | | | Intercepts | |
|---|---|---|---|---|---|---|---|---|
| | | | Local | | Foreign | | Local | Foreign |
| | | | Estimate | P | Estimate | P | Estimate | P |
| CorpRep | <--- | CustSat | 0.355 | *** | 0.257 | 0.002 | | |
| CorpRep | <--- | CashDist2 | -0.073 | 0.222 | -0.088 | 0.268 | | |
| CorpRep | <--- | ServInno | 0.042 | 0.776 | -0.235 | 0.118 | 0.402 | 0.527 |
| CorpRep | <--- | ServQual | 0.589 | *** | 0.928 | *** | | |
| CustSat | <--- | CashDist2 | 0.034 | 0.624 | -0.143 | 0.109 | | |
| CustSat | <--- | ServInno | 0.123 | 0.477 | 0.243 | 0.144 | 2.284 | 1.846 |
| CustSat | <--- | ServQual | 0.457 | *** | 0.603 | *** | | |

Furthermore, the model implied means and model implied variances of service quality, service innovation and cash distribution of the structural equation model in Table 5 makes it possible for a comparative analysis to be carried out between local and foreign banks that are operating in Tanzania. The results suggest that there are a number of interesting differences between perceptions of customers for the two groups of banks. The means for foreign banks were consistently higher on all three latent variables when compared to the local banks, suggesting that on average, foreign banks are perceived to be better with cash distribution, service innovation and service quality compared to local banks.
Table 5: Estimated latent variable means and variances of the 1CFA model of SERVPERF, CS and CR
Means Variances

| | Means | | Variances | |
|---|---|---|---|---|
| | Local banks | Foreign banks | Local banks | Foreign banks |
| ServQual | 4.773 | 5.063 | 1.288 | 1.456 |
| ServInno | 4.263 | 4.514 | 0.777 | 1.002 |
| CashDist2 | 4.253 | 4.626 | 1.763 | 1.718 |

The mean score of service quality for the local banks was 4.773 which is lower than the mean score of the foreign banks which was 5.063. When the regression coefficients are also considered, can be concluded that the mean level of service quality delivery by the foreign banks are perceived to be higher for foreign banks compared to local banks, and the relationships between service quality and customer satisfaction are stronger for foreign compared to local banks. That is, the foreign banks' tangibles, both employees' assurance and empathy and security systems had a higher contribution on customer satisfaction and perceived corporate reputation than local banks.
In terms of service innovation, the mean score for the foreign banks was 4.514 which was higher than that of the local banks which was 4.263. The interpretation of this result was that, banks' overall physical access, service access and innovativeness were perceived to be higher for the foreign banks compared to local banks.
And lastly, the mean score for cash distribution was higher for the foreign banks compared to the mean of cash distribution of local banks. The mean score for the foreign banks was 4.626 while the mean score for the local banks was 4.253. This result suggests that the foreign banks had more numbers of ATMs per branch than the number of ATMs that the local banks had per branch and which are more conveniently located and accessible than the ATMs of the local banks.

## DISCUSSION OF THE FINDINGS

Two structural models were examined, mediated and non-mediated model. Exploring customer satisfaction as a mediator was aimed at a more comprehensive examination of the underlying relationships between service performance, customer satisfaction and corporate reputation.

Starting with the structural equation model without mediation, cash distribution had no significant role in influencing customer satisfaction for local banks. In the model without mediation, there was a slightly significant negative relationship between cash distribution and customer satisfaction for the foreign banks. This could be explained by the fact that customers of the foreign banks, who still prefer to use card transactions, derive some negative satisfaction with the limited number of ATMs exhibited by the foreign banks. Moreover, the application of either debit or credit in purchasing goods or services from shops and supermarkets is still not that popular in Tanzania, so with the local banks, the number of ATMs per branch and the convenience of these ATM machines play a significant role in judging a banks' reputation which seems to be different with the foreign banks' customers. The findings also suggest that access to ATMs for local bank customers do not necessarily relate to customer satisfaction; it is just a fundamental aspect of banking operations that do not necessarily enhance satisfaction, but conversely, a limited number of ATMs seem to be negatively related to customer satisfaction.

Moreover, there was no significant relationship between service innovation and customer satisfaction for both local and foreign banks. Banks operating in the Tanzanian banking industry have been having almost similar offerings to their customers. This similarity in terms of the services offered has made it difficult for the banks to enjoy uniqueness that would enhance customer satisfaction. And this is because differentiated marketing strategies that ultimately add value play a fundamental role in enhancing customer satisfaction (Grönroos, 1984).

Customer satisfaction had a slightly stronger influence on corporate reputation for the local banks than for foreign banks as based on the mediated model. Previous studies such by Davis, Chun, Da Silver and Roper (2002) as well as Walsh, Dinnie and Wiedmann (2006) also supported the link between customer satisfaction and perceived corporate reputation.

The relationships between service performance, customer satisfaction, and perceived reputation were highly significant for both local and foreign banks, and the relationships were in most instances stronger for foreign banks than for local banks. This finding from the study implied that, whenever service firms succeed in meeting customers' service quality expectations, then customers derive satisfaction, which in turn leads to a higher perception of the reputation of the firms. According to Nguyen and Leblanc (2001), perceived firms' reputation establishes business competitive advantage against the competitors that becomes difficult to be imitated.

In addition, despite the fact that service innovation and cash distribution are important issues to focus on, they are not directly linked to customer satisfaction and reputation. However, this does not mean that banks should ignore the need for innovation and the need for cash distribution in the Tanzanian banking industry.

### Conclusions

Comparing customers' perceptions of foreign banks and local banks, the overall service delivery of the banks, service performance was very useful for predicting customer satisfaction and corporate reputation. In addition, service performance levels were perceived relatively positively, followed by the banks' service innovation and lastly by the banks' overall cash distribution. With this, it becomes a task for the banks' managers to make sure that, banks' tangibles which are in terms of pamphlets and brochures, cleanliness in the branches, banks employees' empathy, and banks' security which has to ensure customers' financial confidentiality are all in place.

This study found that the effect of customer satisfaction on corporate reputation was slightly stronger for the foreign banks than the local banks. With this, it becomes a task of the bank managers of the local banks, to identify those areas where their banks have been lagging behind that of the foreign banks. The managers of the local banks could do research through customer surveys to obtain specific details of aspects to improve the overall banks' service quality, service innovation and cash distribution which play an underlying role in the overall customer satisfaction and subsequently perceived reputation.

Finally, the findings from the study have shown that there are very strong positive relationships between service performance and customer satisfaction in the Tanzanian banking industry. And therefore, bank managers need to

continue training frontline employees so as to enable them to identify and meet customers' needs and aspirations. The approach of training staff must be strategic and embedded with the banks' culture, in order to enhance customer satisfaction and in turn enhance the banks' reputation. As loyal customers may have the potential of becoming the banks' brand ambassadors by spreading a positive word of mouth that may have an impact on loyalty, and eventually in the reduction of costs of sales while at the same time expanding the banks' market share.
Areas for further study

This particular study, based on the methodology applied and a series of the research outputs generated could be explored further. The researcher recommends that the future study should not only base on the assessment of the perceived corporate reputation as the final outcome, but rather other studies would go further into assessing the overall switching behaviour of customers between the service firms. The future study has to determine the switching movement of the customers, so as to see the direction that these customers will tend to go after seeing that a particular bank has less perceived corporate reputation compared to another bank.

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