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Services Quality Determinants between Foreign and Local Banks in Tanzania: A Survey of Banking Sector in Morogoro Municipal, Tanzania

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Abstract

This paper examined the determinants of service quality in foreign and local banks in Tanzania, with a focus on Morogoro Municipality. The study employed a cross-sectional research design and used convenience sampling to select 120 customers who hold accounts in both local and foreign banks in the area of study. Data were collected through structured questionnaires, and analysis was conducted using multiple linear regression. The results show that staff conduct, service communication, service credibility, timely bank services, and technology adoption positively and significantly influence customer satisfaction, while access to bank services negatively and insignificantly affects customer satisfaction in both local and foreign banks. Based on these findings, the study recommends that both foreign and local banks strictly should adhere to staff conduct, service communication, service credibility, service accessibility, service duration, and technology adoption to enhance customer satisfaction in the banking sector.

Keywords: Service Quality Determinants, Foreign and Local banks, Customer satisfaction

JEL Classification: G21

1. Introduction

The financial industry contributes considerably to the economy of a country on a global scale. This is mainly related to the safety financial services as a social economy indicator. Customers can now shop about and choose services that provide the most perceived value, making it harder for commercial banks to retain their client bases while also obtaining new ones, thanks to the emergence of commercialization and liberalization policies during the last decade (Fasha, 2020). In the current competitive business environment, some service firms differentiate themselves in a market place by offering high service quality. Parasuraman (1985) defined Service quality as the comparisons that consumers expect for a service and how they perceive the service after it has been delivered to them by the firm. Also, Hill, (2003) argued, if the expectations of the customers are greater than the organization's performance, then client's perception is unsatisfactory and customers are likely to shift to the firm's competitors searching for better services.

According to different past studies, quality of firm's service is linked with client satisfaction (Anand & Selvaraj, 2013). As noted by Balinado *et al.,* (2021) there is a direct link between customer experience and service standards. For example, when quality of service exceeds customer expectations, it is termed as satisfaction (Al-Tamimi, 2003); if firm's performance in terms of service quality will be below service expectation by the customers is Dissatisfaction (Berry and Parauraman, 1988). In this view, the success of the firm will depend on the management to access the customer's expectations correctly (Zeithaml, 1996). The same behaviour has been seen in the banking industry. Customer's satisfaction behaviours has been fluctuating often depending on various factors (Teeroovengadum, 2020). One of the factors is stiff competition caused by mushrooming of many commercial banks which promise a lot to customers.

For instance, In Tanzania, banking industry is growing very fast due to an emergence of various foreign banks which entered in the country and stimulate competition with the existing banks. As a result, the existing banks strive to improve their services by improving service quality to achieve competitive advantage (Porte, 1985). The advent of several foreign banks has resulted in a significant increase in foreign capital flows in Tanzania over the previous two decades. Despite the global financial crisis, the presence of foreign banks in Tanzania has expanded significantly (Lotto, 2016).

Literatures show that foreign bank getting more customers because of service quality improvement made (Kassim, 2010; Zameer et al, 2016; Ladhari, 2011). Such improvement made on online banking service, time management on service delivery, mobile banking, service credibility, service communication and staff conducts (Kant and Jaiswal, 2017). However, Banks that are better in-service quality have a distinct marketing edge (Singh, & Arora 2011).

Foreign banks are currently perceived to perform differently in terms of service quality compared to domestic banks (Tetteh, 2014). This difference is attributed to the inadequate service quality provided by local banks, which is often linked to poor staff conduct, ineffective service communication, and lack of service credibility, limited access to banking services, long waiting times, and outdated technology. As a result, customer satisfaction is generally lower for both local and foreign banks in Tanzania (Fasha, 2020).

Various studies, both within and outside Tanzania, have examined the determinants of customer satisfaction. For instance, Bshiri (2012) and Mbuthia (2013) found that customer satisfaction is influenced by service quality, while Yator (2012) and Hassan (2013) highlighted that factors such as tangibility, consistency, assurance, and empathy strongly relate to customer satisfaction in Kenya. In Tanzania, some literature has compared customers' perceptions of service effectiveness between international and domestic banks. Fasha (2020) explained that local banks are perceived to provide lower quality services compared to foreign banks, with international bank customers rating service quality, innovation, and cash distribution facilities higher than their domestic counterparts.

However, none of these studies have focused specifically on customer satisfaction from the perspective of foreign and local banks. Consequently, due to the low customer satisfaction in both domestic and foreign banking services, this study aims to assess the determinants of service quality between foreign and local banks in Tanzania. By applying the six dimensions of service quality, the study seeks to explore how these factors influence customer satisfaction in the Tanzanian banking industry.

2. Literature Review

Conceptual Framework

The conceptual framework is based on the Expectancy-Disconfirmation Theory, proposed by Oliver (1988), which is widely regarded as the most effective theoretical approach for evaluating customer satisfaction. According to this theory, customers have expectations before consuming a firm’s services, and these expectations must be met or exceeded during service delivery. Positive evaluations of the service experience lead to customer satisfaction (Mohammad & Alhamadani, 2011). Customers are satisfied when the service matches or exceeds their expectations, and they typically compare the service received to their expectations over time (Singh, 2011).

There is a strong link between service quality and customer satisfaction, as it is more cost-effective to retain existing customers than to acquire new ones (Kotler & Armstrong, 2002). Parasuraman *et al.* (1988) refined and defined service quality through dimensions such as reliability, responsiveness, assurance, empathy, and tangibles. This model suggests that service quality is the gap between customers’ expectations (E) and their perception of the service provider's performance (P). Building on the SERVQUAL model, Avkiran (1994) developed the BANKSERV model for assessing service quality in the banking sector, focusing on four dimensions: staff conduct, credibility, communication, and access to teller services. Similar to SERVQUAL, the BANKSERV model measures service quality based on the gap between customer expectations and perceptions (Pont & McQuilken, 2005).

The literature review and previous studies provided the foundation for the development of a close-ended, self-administered questionnaire for this study. Drawing on the BANKSERV questionnaire (Avkiran, 1994), the survey aims to identify the influence of staff conduct, service communication, service credibility, and accessibility to banking services on customer satisfaction. Based on the theories outlined above, the study illustrates the relationship between service quality determinants and customer satisfaction, as shown in the conceptual framework in figure 1.

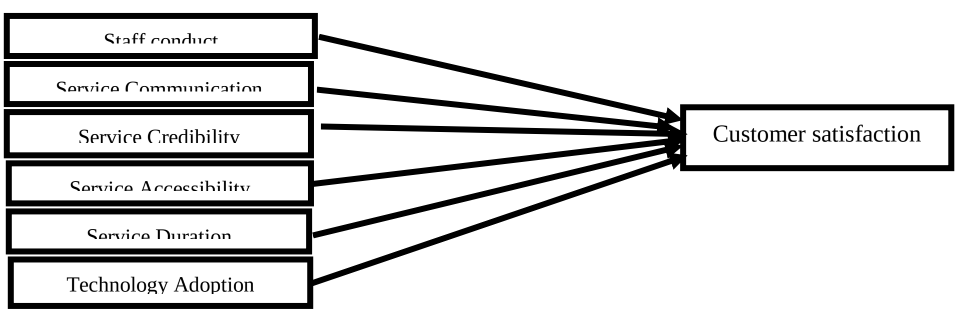

Figure-1 Conceptual Framework
Source: Author’s Compilation

Figure-1 above illustrates that there are relationships between customer satisfaction (dependent variable) and Staff conduct, Service Communication, Service credibility, Service Accessibility, Service Duration (Time spent on services) and Technology Adoption. Literature shows that there is relationship between Staff conduct and customer satisfaction. Staff conduct is associated with all the staff attitudes and staff behaviors towards offering services to the customer. According to Kattara, Waheba and Ahmed (2015) employee attitudes and overall conduct is designed to facilitate the provision of high-quality service and increases overall customer satisfaction. Khartabiel (2014) found that customer satisfaction reflects significantly on the employee's behaviors towards customers. Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: H_{A1}: *There is significant relationship between staff conduct and customer satisfaction in banking sector.*

Also, literature shows that service communication influence customer satisfaction. The right communication is indicated to have significant impact on customer satisfaction at the right time since it can leave customers feeling good about the contact they have had with employee. Customer satisfaction stems from helping customers to feel listened, cared and respected as well as included in decision making (Putra, 2018). According to Adebayo (2019) shows that there is positive relationship between service communication channels and customer satisfaction and asserted that the customer satisfaction can be improved through increased service communication. Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: H_{A2}: *There is significant relationship between service communication and customer satisfaction in banking sector.*

Service credibility is also associated with customer satisfaction. Service credibility is the key driver of company reputation, which refers to the consumer to believe that the company can create and deliver products and services that satisfy consumer's desire. (Lubis *et al.*, 2016). Service credibility is important in influencing customer satisfaction since it helps influence people's pattern, behaviours and thoughts. Then if a company, its employee or its brand are not credible customers are less likely to believe what is being said or taught. As indicated by Kusuma and Wuisan (2021) shows that brand credibility is directly related to customer satisfaction and loyalty. Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: H_{A3}: *There is significant relationship between service credibility and customer satisfaction in banking sector*

Also literature show that Accessibility of Services influence customer satisfaction Study conducted by Parasuman, Zeithaml and Berry (1985) on the service quality established ten parameters (reliability, responsiveness, competence, access, courtesy, communication, credibility, tangible and understanding). The results found that there is a direct link between customer satisfaction and accessibility to banking services. With access to the teller services increases customer satisfaction banking services. Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: H_{A6}: *There is significant relationship between access to bank services and customer satisfaction in banking sector.*

Literature show that there is Relationship between Service duration and customer satisfaction. According to Gustafsson et al., (2005), happens when a product or service's requirements and expectations are fulfilled on time. Customers get unhappy when a bank's services performance falls short of their expectations. The client is pleased if the bank services meet their expectations duly on time. The client is delighted if he/or she receives the service right on time and becomes extremely happy or thrilled to remain loyal to a service provider (Salmen and Muir, 2003; Dubrovski, 2001). Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: *H_{A4}: There is significant relationship between Time spent on bank services and customer satisfaction in banking sector.*

Technology adoption is also associated with customer satisfaction. Acosta-Prado &Tafur-Mendoza (2021) asserted that the purpose of information and communication technologies play a vital role in business management today especially in service provision. However, there is little information on how the use of ICT within institutions creates positive results regarding quality service. It is indicated that with increase in technological advancement increases the quality-of-service delivery in various institutions. Customers have interactions through technology, mobile banking services provided by banks (Gumelar *et al.,* 2020).Based on the above discussions and suggested relationships in the existing literatures, the hypothesis was: *H_{A5}: There is significant relationship between Technology adoption and customer satisfaction in banking sector.*

3. Methodology

Area of the Study

The study was conducted in Morogoro Municipality, located in the Morogoro Region. This area was chosen as a representative sample of other regions in Tanzania due to the rapid growth of the banking industry, driven by the influx of foreign banks that have recently entered the region, increasing competition with local banks. As a result, customers have become more aware of differences in service delivery, leading many to switch from local to foreign banks in search of better services (Fasha, 2020). This provided the researcher with valuable and accurate insights into the research topic under investigation. Moreover, the study selected two local banks (NMB and CRDB) and two international banks (KCB and EQUITY). These banks were chosen because they have numerous branches across the country and offer a variety of services with diverse characteristics. This diversity enabled the researcher to gather consistent and comprehensive information on the topic under study (Worrall et al., 2017).

Sampling and Data Collection Method

The target population for this study consisted of customers from local banks (NMB and CRDB) and foreign banks (KCB and EQUITY) who hold accounts in these banks within Morogoro Municipality. A convenience sampling method was used to select 120 customers who had accounts with both local and foreign banks. Participants who were available and willing to take part in the study were selected. This sampling method ensured that customers from both types of banks were included in the study. The sample size was determined based on a similar study done by Peter (2023), that a sample size of more than 100 is optimal for quantitative research.

Data were collected using structured questionnaires. A self-administered questionnaire was employed to ensure a high response rate from the respondents (customers). Customers were approached at the bank and invited to participate by answering the questions. Before participation, they were informed about the purpose of the study and asked for their consent to respond to the research questions.

Data Analysis Technique

In this study, multiple regression analysis was used to assess the relationship between the BANKSERV dimensions and customer satisfaction. The multiple regression model helped explain the relationship between the dependent and independent variables.

Additionally, correlation analysis was employed to examine the direction and strength of the linear relationship between the independent variables (staff behavior, service communication, service credibility, service accessibility, service duration, and technology adoption) and the dependent variable (customer satisfaction). Furthermore, an independent-samples t-test was applied at a 5% significance level to compare the scores for all six aspects of service quality between foreign and local banks.

The model used in this study is presented in the form of a general linear regression as follows:

$$Y_i = \beta_0 + \beta_i X_{1i} + \beta_i X_{2i} + .. + \beta_k X_k + u_i \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \; 1$$

Where $Y_i =$ Dependent/outcome variables, β = regression coefficient that describe the changes in the dependent variable that caused by explanatory variables. $X's =$ Independent/ explanatory variables. u_i= Regression errors term or random errors. i[th] and k[th] is number of observation and parameter to be estimated respectively

This section of the analysis includes a regression model to test the hypotheses. Six dimensions (staff conduct, service communication, service credibility, service accessibility, service duration, and technology adoption) were treated as independent variables, with customer satisfaction as the dependent variable in a multiple regression model. All hypotheses were tested at a 95% confidence interval. To determine the influence of these factors, multiple regression analysis was conducted using the following model.

$$CS = \beta_\theta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_7 + u_i \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \; 2$$

Where **CS=** Customer satisfaction, β_θ =Constant, β_S =Coefficients, $X_1 =$ Staff Conducts, $X_2 =$ Service Communication, $X_3 =$ Service Credibility, $X_4 =$ Service Accessibility, $X_5 =$ Service Duration, $X_6 =$ Technology Adoption

Based on the regression model outlined above, the study assumes that customer satisfaction is influenced by certain intrinsic factors, including staff conduct, service communication, service credibility, service accessibility, service duration, and technology adoption.

Measurement of the Dependent Variable

The dependent variable (DV) in this study is customer satisfaction within the study area. Customer satisfaction is defined as the gap between a customer's expectations (E) and their perception of the service provider's performance (P). Therefore, customer satisfaction (Q) was measured by subtracting the customer's perception score from their expectations score, as represented by the equation: Q = P – E.

Measurement of the Independent Variables

In this study, six independent variables were measured. Table-1 provides a summary of these independent variables and their influence on customer satisfaction between foreign and local banks in Morogoro Municipality.

Table-1 Conceptualization of Dependent and Independent Variables

Variables	Attributes researched	Scale adopted	Type of scale	Expected outcome/ sign
Customer Satisfaction (Dependent variable)	Recommend Positive word of mouth Revisit the bank	5=Very dissatisfied 4= Dissatisfied 3= Neutral 2=Satisfied 1= Very satisfied	Ordinal	
Staff Conduct (Independent variable)	Courtesy Help Concern Greeting	5=Strongly Disagree 4= Disagree 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive
Communication (Independent variable)	Knowledge about bank services and products Quality advice Account types	5=Strongly Disagree 4= Disagree 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive
Credibility (Independent variable)	Informed Rectify for mistake	5=Strongly Disagree 4= Disagree 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive
Accessibility of Services (Independent variable)	Number of tellers ATMs Location Advancing of loans Accepting deposits	5=Strongly Disagree 4= Disagree 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive
Time Serving (Independent variable)	Responds to customer needs on time Short time to receive banking services Waiting time is satisfactory	5=Strongly Disagree 4=Disagrees 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive
Technology Adopted (Independent variable)	Modern equipment and technology Online banking/ mobile banking works better Easy for transaction	5=Strongly Disagree 4=Disagrees 3= Neutral 2=Agree 1=Strongly Agree	Ordinal	Positive

Source: Author's Compilation

Technical considerations

At the outset, this study addressed technical issues related to the assumptions of neoclassical regression, multicollinearity, and the validity of regression results. Meeting the assumptions of linear regression analysis is crucial for ensuring that the results obtained are truly representative and can be generalized (Joseph *et al.,* 2016). Therefore, the following assumptions of regression analysis were examined: linearity, homoscedasticity, normality, multicollinearity, and further testing of the overall relationship after model estimation.

4. Results

The study aimed to assess the determinants of service quality that influence customer satisfaction in both foreign and local banks in Tanzania. But, however, before applying the multiple regression method to explain the determinants of service quality influencing customer satisfaction between foreign and local banks in Tanzania, the demographic characteristics of the respondents were reviewed.

Demographic Characteristics of the Respondents

This section presents the demographic information of customers from both foreign and local banks in Morogoro Municipality who participated in the study. The study collected data from 120 customers who hold accounts in both local and foreign banks in the area of study, focusing on four key aspects: gender distribution, age distribution, education level, and occupation of the respondents, as shown in Table-2.

Table-2 Demographic characteristics of the Respondents (n=120)

Characteristics of the Respondents	Category	Frequency	Percentage
Gender Distribution	Male	51	42.5
	Female	69	57.5
Age of Respondents	18-31 years	27	22.5
	31-59	58	48.3
	60 and above years	35	29.2
Education of Respondents	Secondary education	18	15.0
	Certificate and diploma	46	38.3
	First degree education	48	40
	Masters education	6	5
	PhD education	2	1.7
Occupation of respondents	Peasants	5	4.2
	Civil Servants	33	27.5
	Business man/woman	68	56.7
	Self-employed	7	5.8
	Others	7	5.8

Source: Author's Computation

Gender of Customers

As shown in Table 2, gender distribution was considered an important factor in this study. Participants were asked to identify their gender, and the results revealed that the majority of respondents were women, accounting for 69 (57.5%) of the total participants, while men made up 51 (42.5%). These findings indicate that both genders are actively involved in the banking sector, demonstrating a gender balance in the study. However, the higher proportion of female respondents suggests that service quality may be more critical to women than to men when interacting with banks. These results align with Nguyen and Homolka's 2021 study, which found that women place more emphasis on service excellence compared to men. Additionally, various studies in marketing literature suggest that female customers tend to rank service quality higher than their male counterparts (Grazhdani, 2015).

Age Distribution of Customers

The age distribution of customers was another crucial aspect of the study. As presented in Table 2, the majority of respondents (48.3%) were aged between 31 and 59 years, followed by 35 (29.2%) who were 61 years and older, and 27 (22.5%) who were between 18 and 31 years. These findings indicate that the majority of banking customers are in the reproductive age range, which implies that they are more likely to understand and evaluate the services offered in the banking sector. This also enables service providers to deliver better quality services more effectively and efficiently. These results are consistent with those found in a study by Osinde (2020), which showed that most participants were aged between 31 and 60. Additionally, the findings are in line with Tan's (2018) research, which noted that the aging population, particularly those above 45 years old, plays a dominant role in banking transactions.

Education of Customers

Findings in Table 2 show that majority of respondents in the banking sector held a first degree, with 48 (40%) of participants, followed by those with certificates and diplomas at 46 (38.3%). A smaller percentage had secondary education (18 or 15%), while only 6 (5%) held a master’s degree and 2 (1.7%) had a PhD. These findings suggest that most customers in the banking sector possess a sufficient level of education to effectively use banking services. This implies that customers have the ability to assess their satisfaction and recommend specific banks to others. These findings are consistent with the national Education Policy, which reported that 25% of youth nationwide had completed secondary education, and 47% had received formal education. With the government's focus on "unrestricted basic education," children today are likely to be more educated than previous generations (Sonla, 2016).

Occupation of Customers

As shown in Table 2, findings indicate that the majority of respondents were businesspeople (68 or 56.7%), followed by government employees (33 or 27.5%) who used banking services in Morogoro Municipality. Other occupations included employees (5 or 4.2%) and self-employed individuals (7 or 5.8%), while 7 (5.8%) of the respondents fell into other categories. These findings suggest that the majority of banking customers in Morogoro Municipality are businesspeople, followed by civil servants. These findings are consistent with Olomi's (2009) research, which found that individuals with less education in developing countries often face challenges in securing formal employment, leading them to pursue alternative employment paths.

Results of Regression Analysis

In this study, a multiple regression model was used to identify the service quality determinants that influence customer satisfaction in the banking industry as shown in Table 3.

Table-3 Results of regression Analysis on the Service quality Determinants that Influence Customer Satisfaction (n = 120)

Variables	Std Errors	Coefficients	T-ratios	Significance
Staff Conduct	.073	.857	11.818	.000*
Service Communication	.085	-.165	-1.933	.056
Service Credibility	.249	.082	.329	.743
Service Duration	.073	.107	1.469	.145
Technology Adoption	.226	-.028	-.122	.903
Service Accessibility	.048	-.044	.918	.360
Constant	.031	3.723	12.029	.000*

*Note: R2 = 74.8 %, Adjusted R2 = 73.7 %, F-Value = 67.803, Durbin Watson = 1.897 Note: * and ** Significant at 1% and 5% respectively, Dependent Variable: Customer Satisfaction (Continuous variable)*
Source: Author's Computation

Based on Table 3, the regression model fits the data well, as the included factors collectively explain approximately 73.7% of the variation in customer satisfaction within the banking sector. The significant F-statistic value of 67.803 indicates that staff conduct has a substantial and joint effect on customer satisfaction.

Staff conduct plays a key role as a determinant of customer satisfaction (Olaniyan *et al.,* 2020). The coefficient for staff conduct was significant and positively affected customer satisfaction in the banking sector, as shown in Table 3. These findings support the assumption that higher staff conduct leads to higher customer satisfaction. This finding aligns with a study by Kattara, Waheba, and Ahmed (2015), which concluded that employee attitudes and conduct significantly contribute to providing high-quality service and boosting overall customer satisfaction. Similarly, Khartabiel (2014) found that customer satisfaction is strongly influenced by employees' behaviors toward customers.

According to Table 3, the coefficient for service communication was insignificant and negatively impacted customer satisfaction in the banking sector. This finding deviates from expectations, suggesting that customer satisfaction is negatively affected by service communication. This finding contrasts with findings from Putra (2018), who found that effective communication positively impacts customer satisfaction by making customers feel acknowledged and valued. Adebayo (2020) also demonstrated a positive relationship between communication methods and customer satisfaction, arguing that improving communication can increase satisfaction.

Table 3 further reveals that the coefficient for service credibility was insignificant and positively affected customer satisfaction in the banking sector. This finding was contrary to prior expectations, suggesting that customer satisfaction is not influenced by service credibility. However, this findings contradicts the study by Lubiset *et al*., (2016), who found that credibility is critical in shaping a company's reputation, as it refers to the consumer's belief in a company's ability to meet their needs. Likewise, Hassan *et al.,* (2013) emphasized the importance of credibility in influencing customer satisfaction, as it shapes consumer behavior and beliefs. Without credibility, customers are less likely to trust the company's offerings.

Regarding service duration, Table 3 shows that the coefficient for time spent on banking services was insignificant and positively affected customer satisfaction. This finding diverges from initial expectations, indicating that customer satisfaction is not influenced by the amount of time spent on banking services. This finding contrasts with research by Gustason (2008), which revealed that satisfaction occurs when goods or services are delivered in a timely manner. Similarly, Guo *et al.,* (2008) found that customers are more satisfied when they receive services promptly, and are more likely to remain loyal to service providers who meet their expectations on time.

In terms of service accessibility, Table 3 depicts that the coefficient for service accessibility was insignificant and negatively affected customer satisfaction in the banking sector. This finding contradicts initial expectations, showing that customer satisfaction is negatively impacted by service accessibility. This finding conflicts with previous studies by Khalif (2011), Addai *et al.,* (2015), Cheng (2010), and Akindele (2010), who found that accessibility has a significant and positive impact on customer satisfaction in the banking sector.

Finally, Table 3 shows that the coefficient for technology was insignificant and negatively affected customer satisfaction in the banking sector in Morogoro Municipality. This finding differs from studies like Prado (2020), which emphasized the importance of ICT infrastructure in enhancing service delivery. Bebli (2013) also noted that information on how ICT improves service quality in businesses is limited. Additionally, Eshghi *et al.,* (2008) found that technological advancements improve service delivery in mobile telecommunications services in India, highlighting the potential benefits of technology in enhancing customer satisfaction.

Hypothesis Testing

The results from regression analysis based on objectives achievement level show that only one (1) hypothesis were not confirmed and remaining six (5) were confirmed as per Table-4 beneath.

The findings in Table 4 show that the study did not reject the alternative hypothesis that there is a positive and significant relationship between staff conduct and customer satisfaction in the banking industry. This suggests that as staff conduct improves, customer satisfaction also increases. These results are consistent with the SERVQUAL model (Parasuraman *et al.,* 1988), which emphasizes the importance of well-trained and responsive frontline employees, as customers often expect politeness and professionalism from staff. Zeithaml (1981) also supports this, stating that loyal customers tend to make more purchases, advocate for the business, and remain less interested in competing brands. Further, these findings align with those of Ehigie (2018), who identified a direct and positive correlation between employee behavior and customer satisfaction in the Gavle banking industry. Additionally, when customers' needs are met or exceeded, they develop a positive attitude toward the company.

Table-4 Hypothesis test

Hypothesis	Relationship	Sig .value	Decision
There is significant relationship between staff conduct and customer satisfaction in banking sector in Morogoro Municipal	Positive	0.00	Fail to reject
There is significant relationship between service communication and customer satisfaction in banking sector in Morogoro Municipal	Positive	0.00	Fail to reject
There is also significant relationship between service credibility and customer satisfaction in banking sector in Morogoro Municipal.	Positive	0.00	Fail to reject
There is significant relationship between time to banking services and customer satisfaction in banking sector in Morogoro Municipal.	Positive	0.00	Fail to reject
There is significant relationship between technology and customer satisfaction in banking sector in Morogoro Municipal	Positive	0.00	Fail to reject
There is significant relationship between accessibility of bank service and customer satisfaction in banking sector in Morogoro Municipal.	Positive	0.358	Reject

Source: Author's Computation

In term on service communication, the findings in Table 4 shows that the study did not reject the alternative hypothesis that there is a positive and significant relationship between service communication and customer satisfaction in the banking industry. This implies that improvements in service communication lead to higher customer satisfaction. These findings align with the SERVQUAL model (Parasuraman, 1988), which asserts that companies should prioritize customer care, including accessibility, communication, and understanding customers' individual needs. Customers who are extremely satisfied are more likely to become loyal supporters, consolidate their purchases with a single supplier, and promote favorable word-of-mouth. Conversely, dissatisfaction often drives customers away and contributes to switching behaviors (Parasuraman *et al.,* 1985). These findings are also consistent with Shanka's (2012) study, which found that service communication through word-of-mouth positively affects customer satisfaction in the Ethiopian banking sector.

Based on the service credibility, the findings in Table 4 depicts that the study did not reject the alternative hypothesis that there is a positive and significant relationship between service credibility and customer satisfaction in the banking industry. This suggests that an increase in service credibility also leads to higher customer satisfaction. These findings are consistent with the BANKSERV model (Avkiran, 1994), which emphasizes maintaining positive staff-client relationships by resolving issues, keeping customers informed, and meeting their preferences. As Oliver (1988) suggests, high satisfaction fosters customer loyalty, leading customers to continue purchasing from the company and promoting positive word-of-mouth. These findings are also in line with Ngaliman *et al.,* (2019), who found that employees' credibility in resolving customer issues positively impacts customer satisfaction.

Regarding service duration, the findings in Table 4 depicts that the study did not reject the alternative hypothesis that there is a positive and significant relationship between service duration and customer satisfaction in the banking industry. This suggests that reducing the time spent on banking services will enhance customer satisfaction. These findings align with the SERVQUAL model (Parasuraman *et al.,* 1988), which argues that customers are pleased when they receive the right service on time, which increases their likelihood of remaining loyal to the service provider. Zeithaml (1981) also supports this, stating that satisfied customers are more likely to make repeat purchases and try new services. These results are in line with Robert and Cindy (2011), who found that timely service delivery and addressing long waiting times had a significant impact on customer satisfaction in the Indonesian banking sector.

According to Table 4, findings shows that the study did not reject the alternative hypothesis that there is a positive and significant relationship between technology adoption and customer satisfaction in the banking industry. This finding means that increased use of technology leads to higher customer satisfaction. These findings support the SERVQUAL model, which highlights the importance of technology in providing responsive services, understanding customers' needs, offering convenient operating hours, and delivering personalized attention (Parasuraman et al., 1988). Mathew (1990) also suggests that customers often associate technology-based services with faster and more efficient service. This finding is consistent with Tan (2019), who found that as technology advances, the quality of service delivery improves across organizations.

Lastly, the findings in Table 4 indicate that the study rejected the alternative hypothesis that there is a positive and significant relationship between service accessibility and customer satisfaction in the banking industry. This suggests that customer satisfaction is not influenced by the accessibility of bank services. These findings contradict the BANKSERV model's theoretical concept of accessibility (Avkiran, 1994), which defines accessibility as a customer's ability to obtain goods or services when needed. In the context of digital banking, Bindu *et al.,* (2019) suggest that customers perceive themselves to have access to banking services when they can complete transactions within the designated time frame. The findings of this study are in contrast with Mohammed (2018), who found a strong positive relationship between service accessibility and customer satisfaction in the Nigerian banking industry.

Independent Samples T- test Results

In this study independent-sample t-test was done to compare the results. of all the six dimensions of Service quality amongst Foreign oriented and local banks in banking industry in Morogoro Municipal at 5% level of significance. The findings in Table-5 indicate that there is a significant difference in the service quality dimensions of Staff conduct, service duration, and Technology adoption between foreign and local banks in banking sector at 5% level of significance. However, findings in Table-5 also indicate that there was no significant difference in the service quality dimensions of Service communication, Service Credibility and Accessibility to bank Service between foreign and local banks in banking sector 5% level of significance.

Table 5: Independent Sample Test Results

		Levene's Test for Equality of Variances				
		F	Sig.	T	Df	Sig. (2-tailed)
Staff Conduct	If variances not equally assumed			2.154	112.582	0.000
	If variances Equal assumed	9.456	0.071	2.154	118	0.000
Service Communication	If variances not equally assumed			.174	117.285	0.319
	If variances Equal assumed	8.033	0.056	.174	118	0.319
Service Credibility	If variances not equally assumed			1.199	113.959	0.842
	If variances Equal assumed	6.542	0.063	1.199	118	0.842
Service Accessibility	If variances not equally assumed			.371	87.173	0.562
	If variances Equal assumed	15.94	0.077	.371	118	0.562
Service Duration	If variances not equally assumed			5.862	69.072	0.000
	If variances Equal assumed	13.86	0.096	5.862	118	0.000
Technology Adoption	If variances not equally assumed			4.362	117.092	0.000
	If variances Equal assumed	11.92	0.055	4.362	118	0.000

Source: Author's Computation

The findings in Table 5 show that there is a significant difference in the service quality dimension of staff conduct between foreign and local banks in the banking sector at the 5% significance level (t = 2.154, p = 0.000). These results align with the initial prediction. The study found that foreign banks appear to provide better services and offer better facilities (M = 29.86, SD = 3.22315) compared to local banks (M = 21.42, SD = 2.57892). These findings are consistent with Fasha (2021), who found that international banks in Tanzania have a greater impact on service quality, customer satisfaction, and perceived corporate reputation than local banks. Similarly, Peter (2013) noted that international banks in Tanzania offer more convenient working hours, better staff manners, and more effective customer service than local banks.

The findings in Table 5 also indicate that there is no significant difference in the service quality dimension of service communication between foreign and local banks at the 5% significance level (t = 0.174, p = 0.319). This suggests that both foreign and local banks are considered equally reliable by customers. This result contrasts with prior expectations.

Furthermore, the study found that the difference in the means between foreign banks (M = 17.98, SD = 2.17452) and local banks (M = 17.91, SD = 2.01092) is minimal. These findings contradict Peter (2013), who found that multinational banks in Tanzania were lagging behind local banks in terms of imposing fees and fines. The findings also conflict with Rahman (2011), who found that foreign banks in Bangladesh outperformed local banks in service quality, as measured by the SERVQUAL model.

In terms of service credibility, Table 5 shows there is no significant difference between foreign and local banks at the 5% significance level (t = 1.199, p = 0.842). This suggests that customers perceive both sectors as equally credible. This result was unexpected. Moreover, the study found that the difference in the means between foreign banks (M = 13.203, SD = 1.9983) and local banks (M = 13.133, SD = 1.65157) was small. These findings align with Jha and Hui (2012), who found that both state-owned and foreign banks outperformed local banks in Nepal. However, they contrast with Lee (2018), who concluded that foreign banks in Malaysia had superior service quality compared to local banks.

Regarding service accessibility, the findings in Table 5 show there is no significant difference in the service quality dimension of service accessibility between foreign and local banks at the 5% significance level (t = 0.371, p = 0.562). This indicates that both foreign and local banks are perceived as equally accessible by customers, which is contrary to prior expectations. The study found that the difference in means between foreign banks (M = 17.451, SD = 1.15225) and local banks (M = 17.202, SD = 2.28549) was minimal. These results contradict Fasha (2021), who found that foreign banks had more ATMs per branch and their ATMs were more conveniently located and accessible compared to those of local banks. The findings also diverge from Chanda (2017), who found that foreign banks in Zambia provided superior facilities, including better assurance compared to local banks.

The findings in Table 5 also show there is a significant difference in the service quality dimension of time to banking service between foreign and local banks at the 5% significance level (t = 5.862, p = 0.000), which aligns with prior predictions. The study found that foreign banks provide prompt services and shorter waiting times for customers (M = 19.216, SD = 4.09066) compared to local banks (M = 16.283, SD = 1.71936). These findings are consistent with Sikombe (2017), who reported that international bank customers had a more favorable perception of infrastructure and staff, while local bank customers rated both poorly. Similarly, Chishimba (2018) found a significant difference in responsiveness between local and foreign banks in Pakistan, with foreign banks offering quicker service and shorter waiting times.

Lastly, in terms of technology adoption, Table 5 indicates there is a significant difference in the service quality dimension of technology adoption between foreign and local banks at the 5% significance level (t = 4.362, p = 0.000), confirming the earlier prediction. The study found that foreign banks provide better technological services and facilities (M = 17.833, SD = 5.52136) compared to local banks (M = 9.783, SD = 3.84631). These results are consistent with San, Theng, and Heng (2011), who found that foreign banks in Tanzania have a technological edge over local banks, as technologies from parent companies can be transferred to subsidiaries at a lower cost. The findings also align with Claessen (2019), who noted that foreign-controlled banks in developing countries generally provide better services than domestic banks, particularly in areas such as online banking and mobile banking.

5. Conclusion and Policy Recommendations

This paper stressed on the determinants of service quality between foreign and local banks in in Morogoro Municipal, Morogoro region as study area in Tanzania. The study generally concludes that, staff conduct, service communication, service credibility, service duration, and technology adoption have a significant effect on the influence of customer satisfaction in both local and foreign bank services. Based on the findings of this study, the study recommends that both foreign and local banks should maintain and strictly adhere to staff conduct, service communication, service credibility, accessibility to bank services, time to bank service and technology by guaranteeing sufficient number of tellers during the busy hour of the day, keeping down banking and transaction costs and providing knowledge on banking services to the customers. By doing so, customers satisfaction will be promoted in the banking sector.

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